Cities Matter:

Analyzing the Practices That Work in the Age of Decentralization

Trainer's Guide

February 2001

Sponsored By The:

United States Agency
for International Development

G/ENV/UP

SUM Contract No. LAG-I-00-99-00008-00
Task Order No. 4

Overview
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Overview

The "Cities Matter: Analyzing the Practices That Work in the Age of Decentralization" Trainer's Guide is based on a course that took place in Annapolis, Maryland, February 11–16, 2001. This course was directed by the International City/County Management Association and the U.S. Agency for International Development for 35 participants, primarily USAID project officers in Missions worldwide.

This trainer's guide is based on the goals and objectives that were established for that training course. The materials provided in this guide are meant to serve as the foundation for future courses. Future audiences may include USAID Mission staff and agencies working with them within a country or local government staff and others in one community or region involved in or affected by decentralization. Presentations and activities will need to be adjusted to accommodate differences in goals, objectives, and parameters of specific training courses.

The "Cities Matter: Analyzing the Practices That Work in the Age of Decentralization" course was conducted for people from several countries in South America, Eastern Europe, Africa, and Asia. As a result, the training was designed to accommodate differences among countries and areas of the world. The generic course materials provided here should be adapted and made specific to the country of participants. Where appropriate, trainers[1] should present relevant information about decentralization and the legal framework in which it is taking place within the country. Case studies or examples from the country in which the course is conducted may be most illustrative, although participant evaluations revealed that they benefited also from learning about the experiences of their counterparts in other countries.

It is recommended that anyone using the trainer's guide to plan or conduct a course read all course materials completely. The guide follows the course over five days. Session materials include:

- An overview, describing the purpose of the session
- Session objectives, which outline the main learning objectives
- Trainer's notes, giving step-by-step instructions about how the session might be presented
- Talking points, which give a brief overview of the presentation, to be expanded upon by the trainer or presenter

[1] "Trainer" is used in this guide as a generic term for many types of training-related roles, including presenter, facilitator, and course designer. This guide uses the term "trainer" except when referring to a specialized role.

- Overheads, which the trainer or presenter should adapt or expand upon to accommodate the specific presentation to be made

- Handouts (if applicable) to be photocopied and distributed.

All of these materials are meant as guidelines only and should be adapted to accommodate different course objectives or the needs of the group.

The Course Approach

The original "Cities Matter: Analyzing the Practices That Work in the Age of Decentralization" course was designed as a five-day course, with an optional pre-course session designed to familiarize participants with the terminology that would be used during the course. This is particularly important when participants are from different countries and may not share the same native language or experience.

As with any training course, there is a need to balance the desire to invite all interested parties with the need to limit the group size for optimal learning. Because adults learn best when they are actively engaged, the structure and approach of this course is highly participatory, making extensive use of small-group discussions and interaction. Thus, it is recommended that the group be limited to a maximum of 35 participants.

In addition, the original course required participants to complete a pre-course homework assignment. Participants were asked to bring copies of the national law(s) that provide for local government autonomy and/or authority. Such laws may govern local autonomy, land use control and land ownership, finance, and municipal service provision. In addition, participants were asked to think about the progress toward and effect of decentralization in their country, focusing on administrative, fiscal, and political aspects of governance. (The pre-course assignment can be found at the end of this Overview.) Requiring such pre-course work ensures that participants arrive at the first session with the background information they need to apply the content learned to the situation in their own countries.

Selecting Presenters and Facilitators

The trainer's notes, talking points, and overheads contained in this guide are designed to help presenters incorporate key learning ideas into their presentations. The trainer's notes can help presenters consider how to make their presentations lively and to engage the audience, but all presenters and facilitators should also be familiar with and experienced in interactive learning techniques. The course evaluations indicated that participants preferred shorter case studies with sufficient time for questions and answers.

There are a number of things to consider when selecting presenters for this type of training course. In addition to content knowledge, presenters should have good presentation skills, including the ability to connect with the audience, to "read" the audience's reactions, and to alter the presentation accordingly.

When considering presenters, look for balance among experts in theory (such as professors) and practitioners who are able to share real-life experiences. Contact all presenters well in advance of the course and give them guidelines for session objectives, topics to be covered in the presentation, preparation of overheads or handouts, and key questions for discussion. If presenters plan to stay for the duration of the training course, encourage them to serve as resources for the group without distracting from presentations as they are taking place.

In addition to presenters, there should be at least one facilitator who is responsible for overseeing the progress of the training course. (Because of the length of the course, it is preferable to have two people serve in this role.) It is the facilitators' role to ensure that sessions run according to the course schedule. Facilitators may also step in to clarify key concepts, ask key questions, summarize sessions and connect one presentation to another, handle question-and-answer sessions, and encourage the group to move forward if it gets stuck. Good facilitators have excellent communication skills and knowledge of group dynamics.

Training Tips

It is important to tailor course materials to the knowledge and experience of participants. Data, examples, and anecdotes should be relevant to the audience.

In addition, the course should take into account the needs of adult learners. Take the following steps:

< Provide a comfortable learning environment.

< Discuss expectations at the outset of the training course and each session.

< Focus on practical skills and real-life examples.

< Provide ample opportunities for adults to integrate new ideas and concepts into their existing knowledge.

< Use interactive learning strategies. Long lectures can detract from learning.

< Accommodate different learning styles by using overheads, engaging participants in the discussion, recording their comments on flip charts, etc.

Learning Approaches

Because adults learn best when there are opportunities to participate in discussions and apply what they are learning to their own experiences, the "Cities Matter: Analyzing the Practices That Work in the Age of Decentralization" course is designed to be highly interactive. Presentations focus on a specific aspect of decentralization (often with a case study) and provide plenty of time for discussion. These presentations are intermixed with opportunities for participants to apply the session content to their own countries or situations. During the course, the participant exercises build on one another, so that by the end of the week, each participant or country group has a specific set of priorities and actions designed to strengthen decentralized governance in a specific community.

The training includes a variety of learning approaches, including the following:

Presentations. Presentations provide the content of the topics studied. They should go beyond a lecture, however, by engaging the audience and connecting the subject matter to the situations or experiences of the participants. (The trainer's notes offer suggested brainstorming activities or discussion questions to help accomplish this.) When planning presentations, trainers should look for other opportunities to help participants tie what they are learning into their real-world responsibilities. Presentations should also include overheads and examples to keep the participants engaged in the discussion.

Small-group exercises. The exercises are designed to facilitate the involvement of all participants as they apply the concepts learned to their own country or situation. The small-group exercises ask participants to complete a specific task and then to share their findings with the larger group.

Small groups typically work best when there are no more than six participants in each group. In the original course, participants were divided into groups with others from their country or region. When adapting the course, trainers should consider carefully what mix of individuals will work best for achieving their objectives. In some cases, it may be best to assign groups according to a common characteristic; for example, assigning all participants from the nonprofit sector in one group and those from the local government in another; breaking into groups so that people from the same community work together; or encouraging people with similar interests to join together. In other situations, it may be best to have diverse points of view in any given group. You may also want to consider allowing different participants to work together in different exercises; this encourages new relationships to be forged and ideas to be shared among participants.

It is important to provide clear instructions at the outset of the exercise about what the group is to accomplish. This is best achieved by having an overhead (prepared using Microsoft® PowerPoint software) with instructions, reviewing the instructions verbally, and asking if there are any questions before the groups begin their work. (Although a handout can be used instead of an overhead, putting the

instructions in a PowerPoint overhead allows the trainer to change or update the exercise to accommodate what has taken place during the course.) Provide specific time limits and remind groups when they have only five (or ten) minutes left to complete their task. In addition, ask groups to select a spokesperson who will be responsible for reporting on the group's discussion.

After small-group exercises, give each group time to report. Encourage groups to be brief. Respond following each group's presentation, asking questions for clarification or tying their discussion into past presentations. You may also ask others in the group to ask questions or add to what is mentioned.

After all groups have had a chance to report on their discussion, it is critical to summarize key ideas, focusing on what participants should take away from the presentation and/or exercise. Usually you can best do this by asking the group what they learned from the discussion and how they will apply what they have learned. Where appropriate, post their answers on a flip chart. The trainer's notes are designed to help presenters make sure that key points are reinforced at the close of each presentation.

Field trips or site visits. The third day of the training course featured a site visit to a water plant. The site visit is essentially a different way to present a case study of decentralization and service delivery in action. It is important to select the site carefully.

The site visited should focus on a new or different aspect of decentralization than the other case studies provided during the course. Course designers should select a service being provided by a local department or agency, perhaps with an eye to a service that has recently been turned over by the state government. The person conducting the site visit should be knowledgeable about such issues as the financing of the service and how service delivery has improved since decentralization, as measured by efficiency, customer satisfaction, or other measures.

Clearly present the objectives of the course and those of the site visit as it relates to the course to whomever is conducting the site visit. A pre-visit to the site is advised so that questions can be answered and logistical arrangements can be made on site. The site visit should be conducted by a local government employee who is familiar with the operations under consideration. Other local government employees should be available to answer participant questions.

Do **not** try to convince an organization or community to participate. It is better to have a less advanced program described by people who want to tell the story than a good program described by people who feel you are intruding. Leaders and staff who are knowledgeable about the process by which a new program was actually implemented, rather than people who can only describe the outcome, should present the service to the course participants.

Case studies. The "Cities Matter: Analyzing the Practices That Work in the Age of Decentralization" course used several different approaches to case studies. A short, written case was used during the social services part of the course, and a site visit to county water operations was used to present one of the cases on environmental services. The rest of the presentations were made by guest speakers—often practitioners responsible for implementing the changes discussed in their own country or community.

Several cases were used for each topic area, which allowed for comparison among them. The trainer's notes give information about how the cases were presented at the pilot course; facilitators will need to think carefully about whether each case is best presented in writing, through a site visit, or by a guest speaker, taking care to break up the day by varying the approaches.

The purpose of case studies is to connect theory to practice. Case studies can be included as part of a presentation or as background materials. Good case studies are relevant to the content of the presentation and to the specific parameters in which the participants work. Case studies should be changed each time the course is delivered to ensure that they are both relevant and up-to-date. Choose case studies very carefully and do not include them if they are not relevant to a specific point being made in the course.

Finally, when using the case studies, make sure that the linkage between the session objectives and the case study is clearly made. Don't assume that participants can make the linkage by simply hearing the presentation.

The one-page handout at the end of this Overview can help presenters prepare their case studies. Make sure that presenters know the length of time they will be expected to speak and are prepared to answer questions from the group. All presenters should have a copy of the course agenda, goals and objectives, and (if possible) the list of participants.

Conducting Sessions

Training sessions need to be properly introduced, conducted, and processed. For learning to take place, trainers must effectively introduce the goals and objectives for each session, ask effective questions and guide group discussion, and provide closure at the end of each session. Trainers should take the following steps:

Prepare carefully. Prior to each session, review the reading assignment and the lesson outline, content, and activities. Try to anticipate questions and difficulties that participants are likely to have and review any areas that you are uncertain about. Plan carefully, but be flexible so that you can alter your plan to accommodate the needs of the group. Gather the materials and equipment you will need to conduct the lesson. A preparation checklist can help you make sure that you are ready.

Review objectives. In most cases, the session should begin with an overview of the session objectives and activities. Explain what you expect participants to learn from each activity and how the objectives fit into course goals (discussed later in this section).

Give clear directions. It is important to explain what is expected of participants for each activity. They need to know what they are to do, how they are to do it, and how much time they will be given. When breaking into small groups, allow time for participants to rearrange themselves and the furniture so that you have their full attention before giving directions. If you are working with printed materials, be careful to allow participants sufficient time to read them on their own. Remain available to clarify directions throughout the sessions.

Facilitate learning. As facilitator, your responsibilities include guiding the group process by keeping things moving, including all group members in the learning process, providing feedback, keeping participants directed toward the designated goal, and helping the group sum up each session. When conducting small-group activities, don't be tempted to join as a participant. Maintaining your role as facilitator allows you to roam around the room to observe how participants are doing, refocus them on the task at hand, or offer suggestions.

Process information. No matter how good the quality of the presentation or activity, it will be useless without processing the activity and the information learned in conducting it. Make sure you allow ample time for discussion after each presentation or activity. Use the flip chart to help record ideas and feedback. Remember, it is your responsibility to make sure participants relate the activity to the session objectives and to their own experiences and situations.

Provide closure. As you review key points, relate the learning back to the objectives you set. It is often helpful to ask for questions at the end of the session to make sure that there are no loose ends. Be prepared to suggest additional resources for those who would like to explore a topic in more depth.

Look for ways to encourage participants to convert what they have learned into action. Use discussion questions and learning activities to inspire participants to reflect on their own situation, assess their strengths and weaknesses, and apply what they have learned.

You can also encourage participants to use new skills by ending the class with questions such as:

< What is the first thing you'll do when you get back home to apply what you have learned here?

< Who might be an ally in the strategies you might apply?

< What problems, if any, do you anticipate in applying the concepts you have learned?

Be enthusiastic! The trainer is a salesperson of ideas and a role model for the rest of the class members. Enthusiasm fosters a positive learning environment. Your positive (or negative) attitude may quickly become the prevailing mood of the group.

Goals and Objectives

Planning always begins with where you want to end up. Course goals and objectives should be based on the general need that prompted the training session in the first place. But they should go beyond this, providing specific insight into desired outcomes. Consider the following questions:

< Why are we having the course or session? What do we hope to accomplish?

< What do we want participants to know when they leave the session?

< What do we want participants to do with the information they have learned?

Course Goals. The purpose of the "Cities Matter: Analyzing the Practices That Work in the Age of Decentralization" course is to look at the strategies and practices that have been used to strengthen governance in countries making the transition from a centralized system of government to a decentralized approach. What is the key difference between successful cities and those that seem to sink in the quagmire of uncertainty? The course examines how and why cities have been able to enact innovative practices that resulted in:

< Democratic citizen participation in local government

< Strong municipal leadership and management

< Improved community and economic development

< Effective municipal and environmental service delivery

< Transparent and effective financial management and budgeting systems

< Community-based capital planning and investment.

Course Objectives. The course has two major objectives:

1. To determine the importance the following three factors have in determining success:

   < The genesis of decentralization and the degree to which it has become institutionalized in the participants' countries

   < The impact of decentralization on urban services (e.g., water, sewer, transportation); human services (e.g., health, education); and economic development

   < The practices and strategies that are used.

2. To develop the framework for programs in the participants' countries, replicating the practices of successful cities.

In addition to these overall goals and objectives, each session has specific learning objectives. These are presented at the beginning of each session's materials. Trainers should review these objectives carefully, revise them according to the needs of the audience and course, and ensure that the session adequately addresses the new objectives.

Throughout the course, participants will focus attention on four effective practices: revenue administration and financial management, organizational structure, staff capacity and customer service, and citizen involvement.

Sessions

For the purposes of this trainer's guide, the course is divided into five days (the last day is a half-day only). The first day gives an overview of decentralization, and the next three days focus attention on the three topic areas. Each day, participants engage in small-group exercises to apply what they have learned to their own situation and develop an action plan to be used upon their return home. On Day 5, participants present and discuss their action plans with the class as a whole. The topics for each day follow:

DAY 1: Principles and Practices of Local Government

DAY 2: Economic Development

DAY 3: Environmental Services

DAY 4: Human Services

DAY 5: Action Planning.

These topics can be introduced in any order, depending on the availability of speakers and the timing of the site visit. The activities would need to be restructured to accommodate any changes, however, because the days and sessions build on one another.

Using the Guide

An overview and objectives are provided for each day. Before conducting the session, read these carefully and adapt them to the needs of your audience and the goals of your course. In some cases, you may need to adjust the materials to accommodate a specialty within the group or to incorporate information that is not covered.

Like the objectives, the trainer's notes are meant to be a guide, not a prescription of how the session should be presented. In particular, the timing may vary considerably from one group to another—depending not only on the expertise of the group, but also on the nature of the group discussion, the number and quality of the examples that are incorporated into the discussion, and preferences of the group and the presenter. Presenters should consider the talking points and overheads as just the skeleton of the presentation, adding examples that are relevant to the country in which the training is held and the audience that is present. It is strongly recommended that presenters practice their presentations ahead of time and make adjustments to the recommended timing according to their specific presentations rather than attempting to fit their presentation into the timing provided in this manual.

Course Schedule

The following schedule assumes a four-and-a-half day training course with similar goals and objectives to the initial course. The schedule should be adapted to meet new goals or time frames. The schedule also assumes that breaks are incorporated into the morning and afternoon sessions.

DAY 1: Principles and Practices of Local Government

8:30 Welcome and Opening Remarks
Course Framework and Overview
Participant Expectations

10:45 Presentation: The Age of Decentralization

LUNCH

1:30 Presentation: Principles and Practices of Effective Local Government
Small-Group Exercise: Analyzing Decentralization

5:00 Reflections and Adjournment

DAY 2: Economic Development

8:30 Reflections from Previous Day and Overview of Day 2 Agenda
Presentation: Urban Realities and Practices

10:30 Case Presentation: Effective Local Economic Development

LUNCH

1:30 Group Discussion: Economic Development Strategies
Small-Group Exercise: Economic Development Action Planning

5:00 Reflections and Adjournment

DAY 3: Environmental Services

8:30 Reflections from Previous Day and Overview of Day 3 Agenda
Preparation for Site Visit

9:30 Site Visit (with brown-bag lunch)

2:00 Case Presentation: Environmental Services

3:45 Small-Group Exercise: Environmental Services Action Planning

5:00 Reflections and Adjournment

DAY 4: Human Services

8:30 Reflections from Previous Day and Overview of Day 4 Agenda
Presentation: Defining Human Services

10:15 Written Case Study: Human Services

LUNCH

1:30 Case Presentation: Human Services

3:00 Small-Group Exercise: Action Planning
(Participants turn in action plans before adjourning)

DAY 5: Action Planning

8:30 Overview of Day 5
Action Plan Presentations

11:00 Course Evaluations
Certificates of Completion

12:00 Closing Lunch

Pre-Course Assignment

The "Cities Matter: Analyzing the Practices That Work in the Age of Decentralization" course is designed to assist you develop better projects that result in more effective governance and service delivery at the local level. It is important that you understand the differences between your country and those of the presenters so that you can relate the experiences presented in the course to your own situation and develop a practical and useful strategy for your own country or community.

This pre-course assignment is designed to facilitate this task. Please spend time addressing the following questions prior to coming to the course. While you are not required to bring the answers in writing, previous participants in Cities Matter courses have found this very helpful.

Genesis of Decentralization

Briefly describe the impetus for decentralization and progress of decentralization to date. Consider the following questions:

- What event or action triggered the desire to have a more decentralized government structure in your country?
- What year is considered the time when local governments were given more autonomy?
- How is the decentralization framework articulated? Constitutional amendment? Local self-government law? Other?

Please bring a copy of the law or the amendment to the constitution to the course. This is your only required task.

Administrative Authority and Autonomy

Briefly describe the administrative authority and autonomy of local governments in your country. Consider the following questions:

- Where does the primary administrative decision making authority lie (with the mayor, the council, central government, or other)?
- Are there required positions in the local government administration, or can the organization be designed according to community needs?

- Can local governments hire and fire employees? Can they institute a new program without central government approval?
- Does the central government approve the local government's annual operating and development budget?

Fiscal Authority and Autonomy

Briefly describe the administrative authority and autonomy of local governments in your country. Consider the following questions:

- Does a majority of the revenues to provide services come from the central government or local government? What is the ratio of monies from the central government to the total?
- Can local governments raise local revenues?
- Can local governments set tax rates?
- Can local governments borrow money?

Political Authority and Autonomy

Briefly describe the administrative authority and autonomy of local governments in your country. Consider the following questions:

- Are the local legislative bodies elected?
- Are elections direct or indirect? For example, is the mayor elected by the citizens, by the local legislative body, or by some other group?
- Are votes made for the party or a slate of candidates or for an individual person?
- How often are elections held? Is this a set date or a function of central government discretion?
- Are local elections tied to national elections?
- Do citizens have the right of referendum, initiative, or recall?

Goal and Objectives of Decentralization

In very general terms, what is expected to happen or change in your country as a result of a decentralized governing structure?

Please identify at least three objectives and give some thought to how well the objectives are being met.

Case Presentation Outlines

You have been selected to make a presentation because of the impact your project has had on basic conditions of human settlements and, as a result, on the overall objectives of USAID.

Case presentations are the foundation of this course. It is through the experience of changing the way local government operates that new program strategies will be developed.

In reporting the results of your project, please address the following points:

1. The conditions prior to the introduction of your project and what was the **expected** result or impact of the project. It is important to define both of these factors in the introduction so that the audience understands the problems that the project was designed to address and the obstacles that were overcome during the project implementation.

2. The actions that were taken to design the project, present ideas and make decisions about what was to be done, and develop new practices. Specific questions to be addressed might include:

   < Who participated in planning the project? Who participated in the project's implementation?

   < How were citizen groups involved in the design?

   < Who made decisions about the direction to take? How were these decisions made?

   < What was the reaction of others to the proposed direction?

   < What new management, financial, or other practices were used?

   < How were changes incorporated? What was the reaction of the people who needed to change?

3. What human, institutional, and fiscal resources contributed to the success of the project? How were the resources secured?

4. What were the results? Describe the results in the context of the following:

   < The project's impact on community problems such as poverty alleviation, basic human rights, public health, sustainable development, etc.

   < The institutionalization of new practices as a result of your project. Will other projects be completed according to the new practices developed?

5. What would you do differently? What is the next step?

Finally, to the degree possible focus your presentation on the following four areas:

< Revenue generation and financial management

< Organizational structure (bureaucracy)

< Staff capacity and customer service

< Citizen involvement.

Day 1: Principles and Practices of Local Government

Session Overview

This training course is designed to look at some successful decentralization models in an attempt to find common threads among them and identify keys to success. To do so, the course begins by establishing programmatic outcomes that can be used to measure progress toward developing strong local governments in the countries of participants.

A welcoming session is used to acquaint participants with the course goals and objectives, one another, and with the course materials. Participants also have an opportunity to discuss their expectations for the course. The day also focuses attention on the decentralization process as it has occurred in various regions throughout the world and on the basic principles and practices of effective local government. Participants then break into country or community teams[1] to analyze their countries' decentralization status according to the indicators that are provided. This analysis will serve as the framework for the action plan to be completed by the end of the course.

Session Objectives

- To present course goals and objectives
- To introduce the concept of decentralization and review general trends that have affected the decentralization process throughout the world
- To define the characteristics of local government within a decentralized system and establish elements that can be used to measure decentralization along a continuum
- To consider the impact that the decentralization has on various functions of local government
- To establish the analytical framework for decentralization
- To analyze the context of and progress toward decentralization in participants' countries.

[1] Because the pilot course included participants from all over the world, country teams were used. Participants who were the sole person from their country were paired with appropriate USAID staff or grouped with someone else from their region. Fifteen countries were represented.

Trainer's Notes

1½ hours **Welcome and Introductions**

This part of the session consists of basic welcome and icebreaker activities. Prior to the session, trainers should ask participants to write down their expectations of the course (perhaps on the course application or registration form). Trainers should then use this list to record expectations for the course on a flip chart and or handout. If this is not possible, additional time can be devoted during participant introductions to discuss expectations as well.

In addition, this session introduces the topic of decentralization by defining terminology. As an alternative, the terminology segment of the session can be an optional pre-course activity. Trainers may also choose to develop a list of terms with definitions and place them in the participant's notebook.

5 min 1. Begin by welcoming the group. Introduce yourself and all other trainers who are present. Review the course agenda, course materials, and procedures. Discuss also any issues related to accommodations, meals, and breaks.

10 min 2. Review course goals and objectives. Explain what you expect participants to learn, using the course goals and objectives in the Course Overview (as revised to accommodate your group).

30 min 3. Explain how the course relates to the goals and objectives of USAID. Briefly discuss the growing importance of cities throughout the world, citing trends and issues to reinforce this point. Discuss also the origins of the "Cities Matter" program, focusing particular attention on its urban strategy. Throughout the presentation emphasize the link between the successes of cities (and other local governments) and the economic well-being of a nation or region. Use the "Cities Matter" talking points as a guide for this presentation. Leave time for questions from participants.[2]

20 min 4. Post the list of participants' expectations in order of those that participants expressed most frequently. Briefly review these expectations, touching on how they relate to the course goals and objectives and what aspects of the course may help participants reach these expectations. In addition to showing how most expectations are in alignment with the goals of the course, point out any that may be unrealistic. Leave the expectations posted throughout the course so that facilitators and presenters can refer to them and adapt or adjust their presentations according to the needs and desires of the group. *(If partici-*

[2] In the pilot course offering, this presentation was made by David Painter, USAID's director of Environment and Urban Programs.

pants have not shared expectations in writing before this session, have participants list expectations as part of the next step and record them on the flip chart as they talk.)

20 min 5. Have participants introduce themselves, stating their name and title, organization, country or city (if applicable), and what in their country or community they would show to a group who was interested in decentralization and local government success. The purpose of the last question is to begin to focus attention on the topic at hand and to help familiarize participants with various aspects of decentralization and local government. Stress that introductions should be brief; there will be plenty of time throughout the course to share other examples and information.

5 min 6. After all participants have introduced themselves, explain that the course is designed to be highly participatory. Say that you expect participants to learn as much from one another as from the presenters and facilitators. If you have had the opportunity to create a participant list prior to the course, show where in the notebook it can be found. If you have not yet developed a list, explain when it will be available. Point out that participants will work in small groups, but that additional learning will take place informally during breaks and meals. Encourage them to talk with people they don't know at lunch or dinner.

1¼ hours Presentation: The Age of Decentralization[3]

This presentation examines the genesis of decentralization in various regions of the world. How and why did decentralization occur? What impact does the genesis of decentralization have on municipal government and service delivery? This presentation is based on the talking points and overheads that follow the presentation notes. You will need to refer to these to prepare this presentation.

5 min 1. Explain the purpose of this session—to focus attention on the global picture of decentralization and how it has occurred in various countries and to glean from these experiences lessons that can be applied elsewhere.

10 min 2. To get participants thinking about the topic, ask them how decentralization has occurred in their own countries. What national or international trends have created the climate for decentralized government? List responses on the flip chart.

40 min 3. Use the responses of participants to lead into a presentation of the factors that influence decentralization. Using the overheads as a guide, introduce the idea of a "quiet revolution," which is the term that Tim Campbell, an urban advisor at the World Bank, uses to describe the changes that have occurred in government in the past two decades. Discuss the elements and reforms that are

[3] In the pilot course offering, this presentation was made by Tim Campbell, advisor in urban development at the World Bank.

part of this quiet revolution, demonstrating how local governments were influenced. Throughout the presentation, include specific examples to illustrate key points. For example, how did decentralization occur in different countries? How did it affect a city's approach to service delivery? End with a discussion of conclusions and lessons learned.

20 min 4. Allow sufficient time for questions and answers. Draw on your knowledge of the topic to focus attention on the issues of interest and concern to participants.

½ hour **Presentation:** Principles and Practices of Effective Local Government

This short presentation presents the key ideas regarding the four areas of effective local government that are used as the foundation of the course: revenue generation and financial management, organizational structure, staff capacity and customer service, and citizen involvement. You will need to refer to the talking points to prepare this presentation.

5 min 1. Begin by introducing the topic and explaining how the small-group exercise that follows the presentation will relate to the presentation.

20 min 2. Follow the talking points and the overheads to discuss how decentralization affects local governments in each of the four areas at hand: citizen participation, finance (revenue generation and administration), administration and management, and customer service. Discuss elements of these four areas, and the characteristics of a strong local government in each.

5 min 3. Allow time for questions and answers before breaking into small groups and beginning the exercise, as follows.

3 hours **Small-Group Exercise:** Analyzing Decentralization: Impact and Progress

In this small-group exercise, participants work in teams from their country or region to assess the progress of decentralization in their own country. The debriefing allows participants to learn about how decentralization is occurring in other countries and to better assess their own country's progress in this area. In addition, the analysis will serve as the framework for developing an action plan.

5 min 1. Introduce the exercise by explaining that you would like participants to review their country's local government enabling legislation to assess its progress toward decentralization, as well as legal constraints to further progress. To what degree does the law allow for and encourage effective local government practices?

10 min

2. Break into groups with participants from the same country (or region) in one group. If all participants are from the same country, it may be useful to divide the group so that there are different perspectives (local/central government, public/private/nonprofit, large/small communities, etc.) at each table. Each small group can be given a different functional area or characteristic on which to focus.

1 hour

3. Write the following questions on a flip chart page or overhead:

   < What is the goal of decentralization in your country? What are the expectations, as defined by the legislation?

   < What is the legal framework for legislation?

   < What is the status of implementation in each of the four areas discussed (citizen participation, finance, administration and management, and customer service)? What is different in these areas compared to when you started the decentralization process?

   < What changes in laws are needed to help local governments move along the continuum toward a decentralized system?

   Allow groups an hour to discuss these three questions.

5 min

4. Explain that you are going to use three cornerstones of effective local government as indicators of progress toward decentralization. Post the three indicators: citizen participation as it relates to the local electoral process; revenue generation and administration; and administration and management of the organization, programs, and employees.

1 hour

5. Ask a spokesperson from each group to report on its discussion. After each report, use what the spokesperson has shared to chart the country on the continuum for each of the three areas (see the example in the talking points). Recognizing the difficulty in implementation, consider also the conditions and capacity of local government officials as a second factor in plotting decentralization progress. Record also the date of the enabling legislation. Focus on being realistic in the assessment. It is important not to allow participants to feel overwhelmed by obstacles or constraints at this point. Stress that decentralization does not happen overnight nor does it occur in a straightforward, linear fashion.

20 min

6. After each report, ask participants for additional questions or comments. If participants are from the same country, encourage a discussion of differences of opinions regarding where they would place their country on the three continua. What accounts for the differences of opinions? Would people from different levels of government have a different perspective? From large cities versus small, rural towns? Emphasize the benefit of learning from one another in this type of forum.

10 min

7. Next, ask for other insights from the group regarding the characteristics of decentralization or the placement of countries on the continua. Illustrate where other countries (developed countries, as well as developing countries) might be placed and why.

15 min

8. Wrap up with a summary of the discussion. Discuss differences between the legal framework for decentralized government and its implementation. Among the points that should be emphasized during the discussion are the following:

   - Sometimes the legislative structure is out of sync with what is realistic. Laws may be in place, but the capability of local governments may not be.
   - There is often a dichotomy between rural and urban municipalities and their capabilities.
   - Handling service delivery in a metropolitan area in decentralized systems can be complex.
   - Whereas most countries are aligned in their decentralization efforts, sometimes one area is out of sync with another. There may be freedom in elections, for example, but tight control over a local government's spending.
   - Decentralization is a lengthy process. Trying to do too much too fast can be a mistake; it is often better for both the central government and local governments to have ample time to prepare for changes.
   - Implementation often lags far behind legislation.
   - Privatization can be an effective instrument, but it may blur the distinction between public and private and may deter citizen involvement and local government accountability.
   - The definition of decentralization may differ from one country to another. The terminology used can influence the process.
   - Service delivery areas are interrelated and complex. For example, the percentage of the budget that is from taxes varies from one country to another. This affects the importance of whether the revenue stream is decentralized.

   Remind participants also that the measures that were used for this exercise are very narrow definitions of a decentralized system. Transparency and openness are not reflected on the continuum, for example; the measures used for citizen participation do not measure how open the process is or how much participation there is in elections.

5 min

9. End the discussion with a question: How do your country's legislative framework and progress toward decentralization affect a local government's ability to deliver services? Ask participants to reflect on this question and to discuss it with someone they don't know before the next day's session convenes.

Talking Points: Cities Matter

The wave of decentralization that swept the world has had numerous positive results. Amid the chaos, cities have made great strides forward. In just three short years, cities such as Novgorod managed to move from nearly last in the amount of private investment in Russia to third. Housing condominiums proved a successful vehicle to promote local service delivery in Armenia. India floated a municipal bond—the first in the developing world. And local officials in Mexico independently formed a municipal association designed to professionalize the management of cities. These are just a few examples of success.

Cities matter in very real ways. Cities, not nations, are the true engines of economic growth. Cities are the concrete representation of people's values and lives. They house the physical evidence of outcomes of international, national, regional, and local government policies.

Cities are important for development for several reasons:

- They are where the people are. In many countries, a majority of the population lives in urban areas.
- Poverty is located in cities. This is where there is the most need for basic service delivery.
- Cities are where development takes place and where innovation occurs. Even agricultural reforms and innovation begin in urban areas.
- City services are linked to the health, environmental well-being, and economic development of a country or region, and thus to sustainability of development within a country.

Why This Course?

This course uses case studies and examples to help participants explore how and why cities are able to enact innovative practices that resulted in one or all of the following:

- Democratic citizen participation in local government
- Strong municipal leadership and management
- Improved community and economic development
- Effective municipal /environmental services delivery

- Transparent and useful finance management and budgeting systems
- Community-based capital planning and investment.

Information is presented in several ways—through presentations from practitioners, written case studies, and a site visit. As an organizing feature, the course focuses on the following four local government practices:

- Revenue administration and financial management
- Organizational structure
- Staff capacity and customer service
- Citizen involvement.

This course provides a rudimentary understanding of how cities operate, how local governments affect development, and how decentralization as a process affects vitality in cities. How do cities relate to decentralization? How do they benefit? How are they hurt by decentralization?

In addition, the course focuses attention on how services delivered by the local government are interrelated and how this affects decisions made at the local level. When analyzing the lessons learned and when developing the country or community strategies (the final product for participants), it is important to consider how a decision will affect service delivery in all areas. If additional environmental services are contracted out to the private sector, for example, will the poorest residents be able to afford the services? How will the local government address such problems? Or if the local government strategy is to allocate resources to programs designed to encourage private sector investment, what impact will this have on resources dedicated to helping alleviate poverty? Facilitators should remind course participants to consider the interrelatedness of services as they develop their action plans each day and should ask questions following the country reports about what impact the suggested action plan might have on other service areas.

As part of USAID's urban strategy, the "Making Cities Work" initiative provides a multi-sectoral approach to development. By looking at development through an "urban lens," the initiative helps achieve better results in cities and nations throughout the world.

Talking Points: Charting Decentralization

The following factors can be used to plot each country on a decentralization continuum.

	Centralized	Decentralized
Citizen Participation	Indirect Vote for party Non-renewable	Direct Vote for candidate Renewable
Revenue Generation and Administration	Central control and distribution	Own source revenues Control over rates and sources
Administration and Management	Central determination No employee competency practices in use	Functional autonomy Employee competency practices in use

The continuum completed during the pilot course follows on the next page.

Benin 99 | Haiti 87 | Peru | Panama 96 | Honduras 90 | Egypt 86 | Indonesia 99 | Morocco 87

Romania 92 | Poland | Georgia 97 | Mongolia 97 | Slovakia 90 | El Salvador

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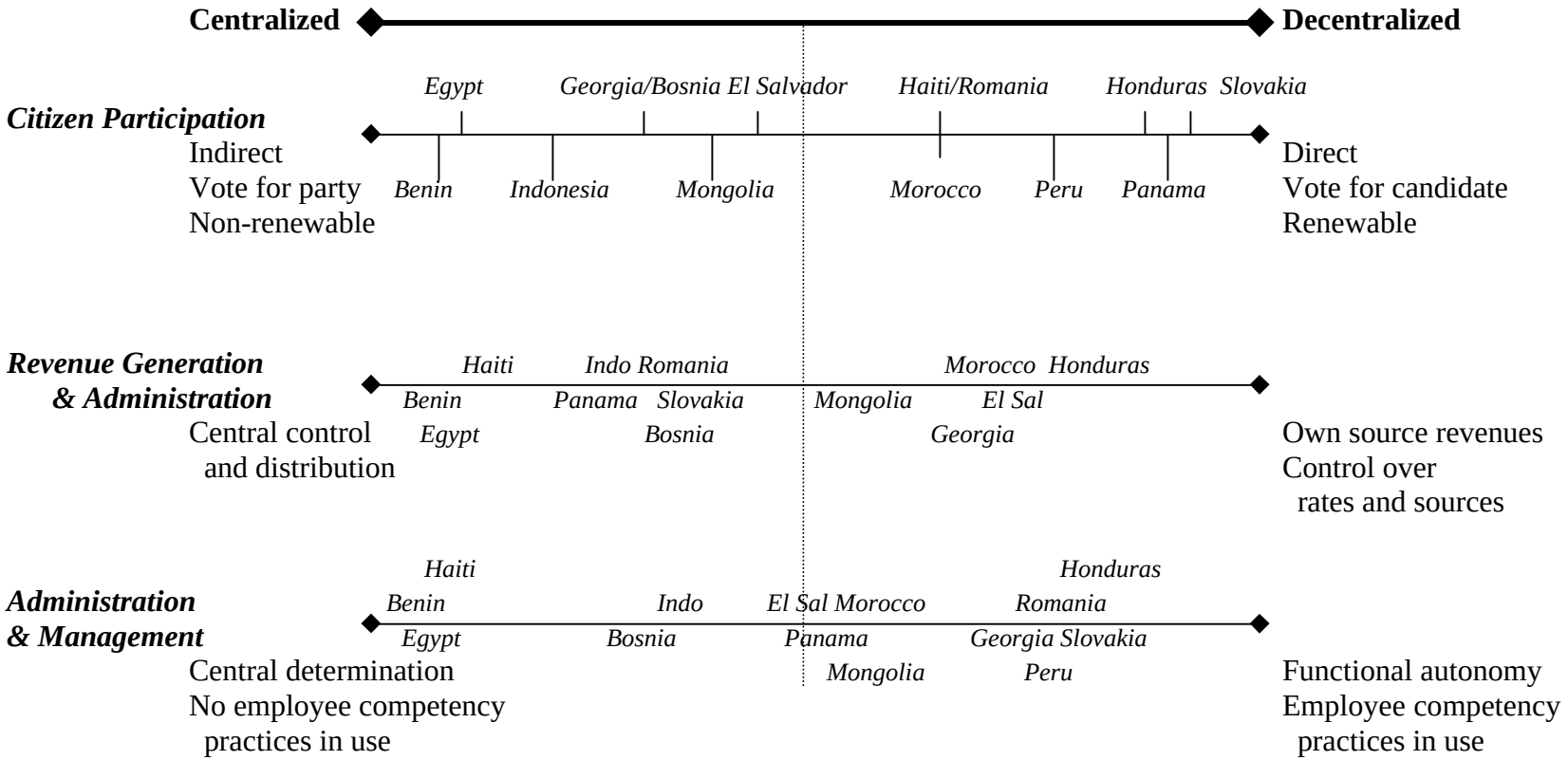
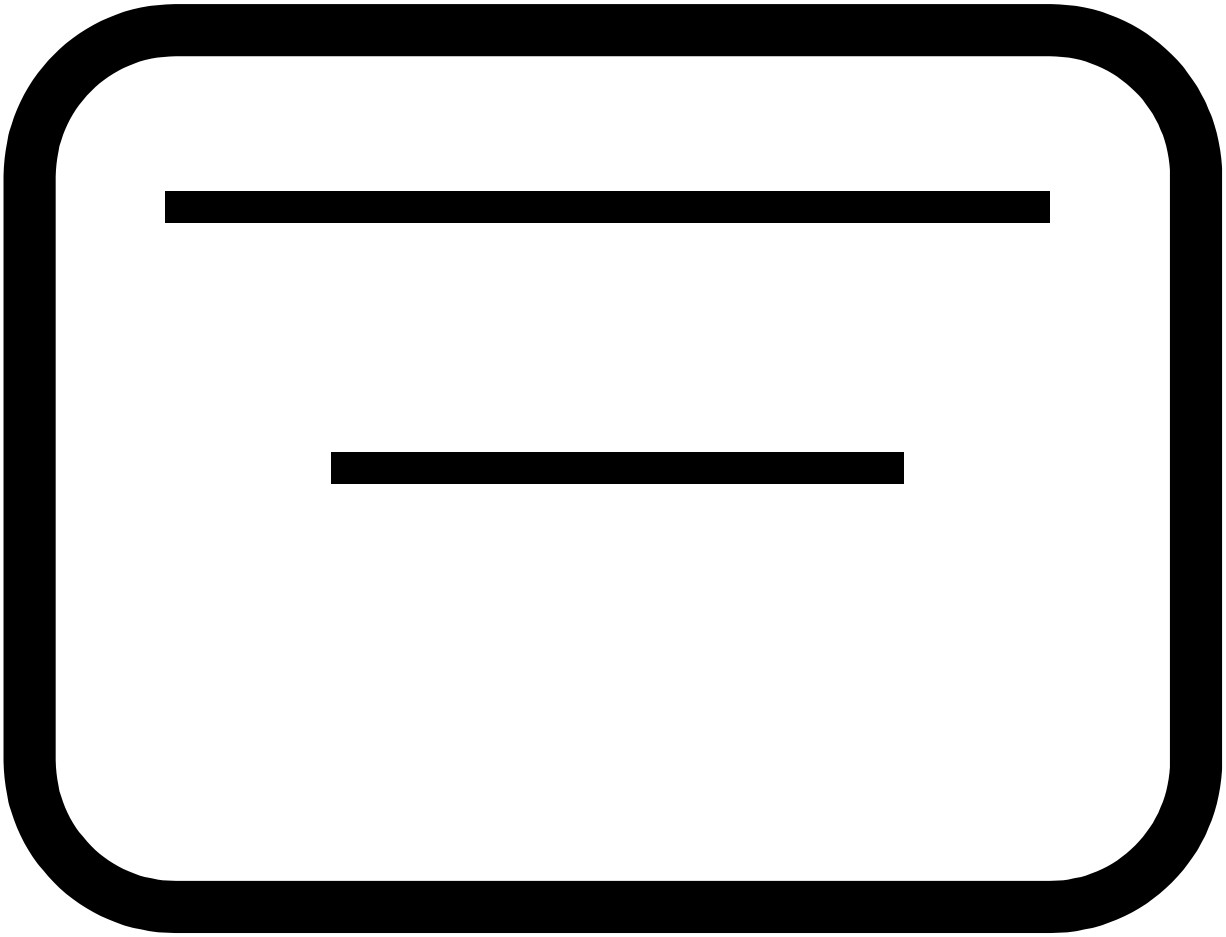
Charting Decentralization



Overheads



Cities Matter

Analyzing the Practices That Work in the Age of Decentralization

Course Objectives

- Explore the genesis of decentralization and the difference it makes in institutionalizing a decentralized structure.
- Understand how decentralization affects the delivery of various services.
- Learn about effective practices that have been successful in other communities.

Key Questions

- What is decentralization? What really changes?
- What systems, institutions, and structures should be accounted for when analyzing the effects of decentralization?
- Does decentralization have the same effect on all government functions affected?
- What lessons have been learned? How can we apply these lessons to our own situations?
- How are services interrelated? How do decisions made at the local level to address one area affect other service areas?

Three Key Terms

- **Decentralization** is a process. It is not static and originates from different starting points at different times.

- **Practices** are the methods used to implement services.

- **City** is a representative term for any subnational, autonomous unit of government. In some countries, this term may encompass several different levels or layers of government.

Five Part Program

- "Quiet Revolution"
- New Model of Local Governance
- Changing Contract of Governance
- Implications for Local Government Services
- Emerging Trends

Part I: Quiet Revolution 1983–1997

- Reforms in finance and functions
- More local spending
- Capacity limitations
- Democratization
- New participatory model of governance and innovations

Reforms in Finance and Functions

- Finance “chased” functions
- Central governments did not reduce spending, as required by constitutional mandates

Local Spending as Percentage of Total Public Spending

Selected Countries

Country	1980	1992
Argentina	36.4	48.1
Colombia	27.2	33.0
Chile (1970)	4.7	12.7

Source: Lopez Murphy, 1994

Democratization and Sharing of Political Power

- Political and electoral reforms influenced democratization in most countries
  - balloting, political parties, financing
  - dynamics change in Bulgaria, Armenia, Nepal
- Citizen participation more intense than ever
  - voice and vote (e.g., Bolivian, Chilean laws)
  - increasing say in choosing options

Features of First Phases in LAC

- Finance raced ahead of functions
  - dangers of macro instability
- Income stream variable
- Own source revenue changes
- Electoral reform
- Foundations sufficient for sustained change?

Part II. New Model of Local Governance

< Locus of decision-making shifted to the local level

< New, local role in economic growth, equity, and environment for the poor

< New elements in governance

Elements of Governance in the New Model

- New leadership style
  - More professional mayors (in Columbia before revolution, 11% of mayors were professionals; today 46% are professionals)
  - More professional cadres (the ratio of nonprofessionals to professionals used to be 12:1; now it is 4:1)
  - Tax increases
- Emerging fiscal contract—tax increases

Tax Increases
Selected Cities, 1990–1995

City	% Increase
Porto Alegre	22
Tijuana	58
Manizales	165
La Paz	218
Valledupar	246
Villanueva	373

Elements of Governance, cont.

- Civil society as source of choice and accountability
- Instruments of participatory decision making

Instruments of Participation

Formal Instruments

- National laws
- Referenda
- Elections

Instruments of Participation

Nonformal Instruments

- Surveys
- Opinion polls
- Citizen or interest group consultations or hearings
- Hotlines and public access points

Part III. Changing Contract of Governance

- Emerging challenges and dangers
  - balancing local autonomy with macroeconomic stability
  - fiscal cooperation
- Can finances be linked (via contracts) with cost and beneficiary payments?

Example of Political Contract

- New wave leader
- Exchange of promises (new contract)
- Tax increase (gasoline surcharge, property and business taxes)
- Dedicated investments as promised

Example of Social Contract

- Organization of neighborhoods (tradition)
- Joint definition of small works
- Quasi-market credits
- Secured by social censure
- Excellent implementation record

Example of Electoral Contract

- Technical preparation of works program
- Widespread consultation (meetings, media)
- Transparent calculations
- City-wide referendum
- Authorized credit
- Creditors bidding competitively

Other Examples

- Formulating a strategic vision
- Mobilizing the community

Part IV. Implications of the Quiet Revolution for Local Government Services

- Effectiveness of local governments
- Shared power; shared responsibility
- New client-based mentality requires new institutional approach
- Decentralized decisions and implementation ratified in mayors funds, neighborhood funds, social funds

Lessons Learned

- Stagger power sharing and set qualifications for subnational units
- Control borrowing
- Allow some freedom in finance and spending
- Structure a learning process
- Foster leadership that will emerge when incentives change

Four (Not So) Easy Pieces of Reform

- Managing Fiscal Federalism
- Efficient Local Government
- Good Governance
- Economic Development

1. Managing Fiscal Federalism

- Match functions with finance
- Strengthen controls, limit borrowing
- Provide rewards, be flexible on assignments
- Have joint responsibility

2. Efficient Local Government

- Privatize or contract out services
- Introduce competitiveness, local choice

3. Good Governance

- Anti-corruption and transparency
- Capacity strengthening through training and technical assistance
- Strengthen external controls
- Create internal reforms

3. Good Governance, cont.

- Leadership programs
- Strengthen branches of government
- Electoral reform
- Introduce competition among alternative spending proposals
- Strengthen “intelligence” inputs for local decision makers
- Public policy education

4. Economic Development

< Focus on local economic development, SWOT, and city development strategies

< Link city growth to the poor and to national economy

Dangers and Pitfalls

- Running ahead of local institutional capacity
- Sustaining maintenance
- Adjusting standards of service and works

Building Capacity

- Executive and legislative
- Staff and bureaucracy
- Private sector, NGOs, others

Executive and Legislative

- Cultivate leaders, focus on management
- Separate business from politics
- Hold direct, proportional elections, separate from national, uninominal
- Have renewable and longer terms of office
- Emphasize choice-making and problem solving

Staff and Bureaucracy

- Competition in selection and promotion of staff
- Contract out with open and transparent process, publicized unit costs, published results
- Institute effective modes of transition (attrition, top first, buy-outs)

Private, GVOs, and “Independents”

- Emphasize associations, dissemination, and wholesaling
- Increase policy analytic capacity
- Monitor performance and publish results
- Provide external recognition

Part V. Emerging Trends
Global Economy and Planning

Globalization, decentralization, democratization…

< Manufacturing falling as core economy

< Services rising (especially information and electronic)

< Trade liberalization and structural reform

< Services become tradables

< Not capital intensive like heavy industries

< Physical master planning was old vision; new must be strategic

Conclusions

Decentralization:

< Offers real hope for resource allocation

< Opens new possibilities to implement programs at the local level

  – work with reforming, open systems

  – take advantage of civil market

  – demand **and** accountability from below

< Many pitfalls on the way to efficiency in delivery

Conclusions, cont.

- **Assistance can give more emphasis to competitiveness—**competitive entry, contestability in elections and budgets, increased expert advice for locals

- **Cities are engaged in global flow of trade, deals, and ideas.**

DAY 2: Economic Development

Session Overview

In the second half of this century, cities have emerged as important places in the political and economic structure of a nation. They are where commerce, people, ideas, and culture converge, and it is the role of local government to mediate this convergence. As such, local governments are active players in the overall governing process of a country and have a major contribution to make to its economic welfare.

There are many good examples of how local governments in emerging democracies have planned and implemented programs that have effectively improved the economy. This session uses guest speakers to discuss two successful approaches. After comparing and contrasting the two cases, participants are asked to think about what applies to their own situation. The remainder of the time is spent working on an economic development analysis that defines potential given the status of decentralization.

Session Objectives

- To present key concepts regarding urban systems and service delivery; the challenges facing urban areas today; factors and trends affecting urban areas and local governments; and the interrelationships of the economic, social, and political systems that influence service delivery
- To present examples of how local governments have successfully encouraged economic development and influenced economic growth
- To compare and contrast approaches to local economic development, focusing particular attention on common characteristics of success and on the aspects that could be applied in participants' own communities
- To begin to develop an action plan for improving economic development in participants' countries, focusing on a selected community.

Trainer's Notes

1¼ hour **Presentation: Urban Realities and Practices**

This presentation is designed to establish the context for the case studies that will be presented during the rest of the session. The facilitator discusses the developments that have occurred in cities throughout the world as decentralization has taken place over the past several decades. You will need to refer to the overheads and the talking points to prepare this presentation.

10 min

1. Begin by welcoming the group and reviewing what took place at yesterday's session. Ask participants if they have any questions about what they learned yesterday. Remind them of the question you asked at the closing: "How do your country's legislative framework and progress toward decentralization affect a local government's ability to deliver services?" (You may want to post the "Charting Decentralization" information generated during yesterday's session.). Ask participants for feedback about this question. Lead a brief discussion, focusing particular attention on examples of success cited by participants.

5 min

2. Next, turn to the topic at hand. Briefly describe the agenda for the day, introducing the topic and describing the sessions that will follow.

20 min

3. Follow the talking points and the overheads to discuss the trends in local government since the 1950s. As you go through each of the elements on the outline provided in the Talking Points, make sure to include examples from various regions of the world that illustrate key points. You may also want to organize the information by decade to help illustrate trends and their effect on decentralization today.

20 min

4. Next, turn attention to the nature of emerging relationships today. Focus on various aspects that are influencing the way communities function. Issues to be discussed include changes in demographics and lifestyles (e.g., more people are living in urban areas than ever before); technological advances, the global economy, etc. (The overheads give a starting point for structuring this part of the presentation.) Then, discuss the seven issues presented in the overheads. Emphasize throughout that no one strategy will work for all communities because they differ in population, priorities, size, and a host of other factors. Encourage participants to think about what strategies might be effective in their own country or community.

15 min

5. Allow time for questions and answers before continuing the session with the case presentations.

1½ hours **Case Presentation:** Effective Local Economic Development[1]

In this session, practitioners from two different communities present the economic development program in their community. In making decisions about presenters, look for communities that have had successful economic development programs, preferably those that are able to show real outcomes. Two cases are provided to allow for different perspectives. Thus, the cases selected should offer two different approaches in two very different communities—perhaps at different scales or with very different strengths. You should give the presenters the notes in the Overview to help them design their presentations and ask them to speak for no more than 25 minutes each.

5 min 1. Introduce the cases by giving a brief overview of the role of municipal governments in economic development. Explain that municipal governments play a unique role in influencing the quality of the local economy. As producers of resources, they directly affect the robustness of the economy and, as a result, affect the quality of life of many of the citizens. While the purpose of local economic development programs is to generate wealth, local governments should not be the investors. Rather, the local government, as well as the broader local community, should assume the role of creating an investment-friendly environment, one in which private investors can expect a reasonable return on their investment, and citizens can garner a better quality of life through improved employment opportunities and a stronger tax base.

25 min 2. Introduce the first presenter, giving his or her name and title, and explaining why the city was selected as a case study and what is exemplary about the city's experience. Turn the stage over and allow him or her to make the case study presentation.

15 min 3. After the presentation, ask for questions from the group. Encourage participants to focus attention on the practical lessons learned from the city's experience.

25 min 4. Turn next to the second case study, again introducing the presenter and explaining why the city's experience is exemplary. Allow him or her to make the case study presentation.

15 min 5. After the presentation, ask for questions from the group. Encourage participants to focus attention on the practical lessons learned from the city's experience.

10 min 6. Ask participants, What in each of the case studies contributed to the city's success? How might the lessons be applied in their own countries or communities? Do they have a strategic plan, urban plan, or similar vehicle

[1] In the pilot course offering, case study presentations were made by Crinu Andanut, the executive director of the Sibiu Development Agency in Romania, and Janusz Szewczuk, an independent consultant and economist in Poland.

already in place? Give them the following assignment to be completed during lunch:

> Look at the problem of economic development through an "urban lens" and focus on what you would like to see happen and on what you think can be realistically accomplished. If you have a strategic plan in place, jot down what you would do differently based on the discussions of yesterday and today. If you have not done any strategic planning, jot down what you would do to make it happen.

Ask participants to turn in their responses to you at the beginning of the afternoon's session.

45 min Group Discussion: Economic Development Strategies

In this guided discussion, participants reflect on the cases that were presented in the morning's activity and begin to apply the lessons and strategies to their own situation. This discussion is designed to establish the context for the small-group exercise that follows.

1. As participants enter the room, ask them to turn in their responses to the assignment you gave at the end of the last session.

15 min 2. Begin the discussion by reviewing the lessons learned from the case studies. What characteristics did the two cities, strategies, and approaches have in common? What factors contributed to success in both cases? How did the two cities make changes to accommodate their unique situations? Point out that there may be differences in the approach depending on the context, scale, and unique characteristics of the community. There also are likely to be differences among the economic goals of different communities.

15 min 3. Explain the purpose and elements of a SWOT (strengths, weaknesses, opportunities, and threats) analysis and how it is used to help assess the current situation of a community. Ask participants to briefly think about the strengths and opportunities presented in each of the case studies. Discuss also any threats or weaknesses that the presenters mentioned.

10 min 4. Next, facilitate a discussion of where participants are in the strategic planning or action planning process by using their responses to the assignment you gave at the end of the last session. Focus particular attention on how the lessons learned from the case studies are applicable to participants' own situations.

5 min 5. Conclude with a summary of the discussion. Among the points that should be emphasized are the following:

   < The goals, context, and scale of economic development varies greatly from one community to the next. Tools must be adapted to accommodate the specific situation.

- Although you need a legal framework to make it happen, there may not be a legal context for specific actions. Which comes first? Sometimes the law may follow success.

- Be creative. If the law doesn't forbid something, look for ways to accomplish it.

- Timing is important. It will be difficult to push through reform if the community and its citizenry are not ready for it. On the other hand, you cannot wait for the "right" moment. Instead, be ready to adapt to the circumstances and be ready to capitalize on opportunities as they arise.

- Strategic, by definition, means long-term. However, most local governments don't have the luxury of time. Build benchmarks into the action plan. Try to maintain momentum by capitalizing on and building on early successes.

- Planning on the local level achieves buy-in and legitimacy among factions of the community.

- Linkage and participation on different levels of government and with NGOs are key to success.

- Communities that have success tend to have dynamic leaders. To begin, search out community leaders who will champion the cause. Then, other communities can learn from their example.

- Communities begin at different points in the process. There is no one "beginning point."

- Planning in reality is never as neat as in theory. Be ready to change to accommodate changing circumstances.

2½ hours Small-Group Exercise: Economic Development Action Planning

During this session, facilitators work with participants to complete an economic development analysis that defines potential, given the status of decentralization of their respective countries and/or cities.

10 min

1. Break into small groups, with participants from the same country (or region) in one group. (Use the same groups as yesterday, unless all participants are from the same country and you did not have them break up by community then, in which case break up according to community or region.) Explain that the participants in each group are to work together to develop an action plan for economic development. Ask participants to focus attention on the local level—on one community. They should consider the following three questions:

- < Think about the strengths, weaknesses, opportunities, and threats to economic development in your community. Based on these factors, in what areas might you be able to achieve some economic efficiency?

- < What are some economic models that a local authority might be able to apply?

- < Who are the stakeholders who can help you achieve these goals?

Explain that this is just the first step in the action planning process that will take place over the next several days. Hand out the "Applying Lessons Learned" handout, which explains the end result of the small-group exercises. (This handout can be found at the end of the Day 2 talking points.)

1 hour 2. Allow participants an hour to work on their action plans. As they do so, remain available to answer questions and listen in on group discussions.

1 hour 3. Reconvene the whole group. Ask a spokesperson from each small group to briefly report on its economic development plan. After each report, ask for questions or comments from the group.

15 min 4. After all the reports have been made, discuss similarities and differences. What common themes emerged? How are different groups approaching similar problems?

5 min 5. Wrap up with a summary of the discussion. Ask for questions from the group regarding local economic development or the strategies that have been discussed. Point to reading materials in the participant's notebook or elsewhere for participants who want more information.

Handout: Applying Lessons Learned

There are two primary objectives for this course:

1. To determine the importance the following three factors have in determining success:

   < The genesis of decentralization and the degree to which it has become institutionalized in the participants' countries

   < The impact of decentralization on urban services (e.g., water, sewer, transportation); human services (e.g., health, education); and economic development

   < The practices and strategies that are used.

2. To develop the framework for programs in the participants' countries, replicating the practices of successful cities.

A key part of this course is applying what you have learned through action planning. Several small-group exercises are designed to guide small groups through this process. You should complete your action plan before adjourning on Day 4 of the course.

Begin by selecting a specific community to focus on in applying the lessons learned during this course. Then, take the following approach to develop an action plan.

Then, for each of the three service sectors—economic development, environmental services, social/human services—select one functional area of the service sector[2] and complete the following task:

1. Describe two positive factors in the community that could be capitalized on to improve the effectiveness of the service delivered (e.g., a port city for economic development, a recognized community leader in the health field).

2. Explain what you would do to enhance these two factors.

3. Describe the action you would take or recommend. Think about the examples given over the last three days.

4. Define the expected result of the actions vis-à-vis the objective of your country's decentralization framework as it relates to the specific service area.

[2] For example, tourism might be identified as an economic development functional area on which to focus; drainage systems might be an environmental service functional area; and health might be a human services functional area.

Finally, considering the overall decentralization framework of your country and where it lies on the decentralization chart created on Day 1, identify an action (e.g., amendment of a law, capacity building) that would be required to allow for the institutionalization or broader dissemination of the practices identified above.

Highlights of each country's team will be integrated into a PowerPoint presentation on the evening of Day 4 and reviewed in the morning of Day 5. A representative from each small group will be asked to briefly explain the expected result of the critical action that has been identified.

Talking Points: Urban Realities

The Nature of Emerging Relationships

A. Levels of social control—collapse of Soviet Union as a harbinger
- < Compliance
- < Participation
- < Legitimization: Democracy instills legitimacy.

B. Transnational corporations
- < Local governments can no longer ignore the private sector. In fact, they must encourage private sector involvement and provide opportunities.

C. Revolution in information technology
- < Empowering: People appreciate their rights
- < Quality of environment
- < Human rights
- < Women's rights
- < NGO role.

Nature of Urban Challenge

A. Changes in size pattern of concentration
- < There are two levels of migration.
- < The number of cities with over a million inhabitants tripled from 1950 to 1990.
- < 33% of the world's population lives in cities with more than a million people.
- < Sheer size compounds problems. Problems also differ in essence as well

B. Geographical distribution of very large cities
- < Large cities are no longer associated with development: 75% of the largest cities are in developing countries.
- < They house 30–40% of a country's population; Bangkok has 57% of Thailand's population.

C. Network of functional orientations
- < There is an emerging category of global cities, not necessarily mega cities
- < Subject to international migration (e.g., Hong Kong).

D. Increasing relative concentration of the poor
- < Urban poor may suffer more than rural poor from certain aspects of poverty.

E. Effects of the volatile conditions of the urban environment

- < There is a new set of challenges associated with industrial growth, emissions, and wastes
- < Groundwater is becoming polluted
- < Air pollution results from three principal sources: energy, vehicles, industry
- < Solid waste: Many municipalities cannot even collect all of the solid waste that is generated; there are even greater problems associated with treatment.

Seven Issues Central to Discussions of Urban Development, Planning, and Management Today

A. Privatization

- < Emphasis should be on creating competitive pressure for efficient service delivery.
- < Planning must respond with a new paradigm.

B. Housing and urban finance

- < First UN Conference emphasized town planning and government delivery of housing.
- < Istanbul gave greater prominence to public and private financing, and to mobilization of resources.
- < Issuance of debt instruments can help address this problem.

C. Poverty alleviation

- < Slums are now seen as neglected areas.
- < No longer can local governments be indifferent to problems of the poor.
- < The test of good management will be how cities address their poor areas.
- < Poverty alleviation is broader than shelter and access to services; micro-enterprises, informal sector, justice, etc.

D. Environmental quality

- < Protecting the environment is more than protecting air and water and disposing of wastes; it is also conserving natural, cultural, and historical resources.
- < Urban density and congestion are a focus that local governments can apply.
- < High-density residential areas are often associated with the poor and exacerbate environmental problems.
- < Industrial concentrations worsen the level of air quality.

E. Partnership

- All the above requires partnerships among all stakeholders.
- Partnership is a common element—usually one of the strongest features of successful programs, including Istanbul's paradigmatic shift.
- There needs to be renewed emphasis on providing information to and consulting with all partners.
- There is increasing importance in developing a common vision and promoting common activities.

F. Civic Engagement

- Partnership is easier where a high degree of civic engagement exists.
- "Social capital" (as described by Putnam) emphasizes that some communities have capacity for a wide variety of achievements, including economic development (leadership).
- Civic engagement is as important as infrastructure as a form of social overhead.
- Civic engagement must be heightened where it is weak.

G. Governance

- Governance emphasizes participation in decision-making processes.
- Governance at the local level requires financial decentralization and the obligation to consult in a democratic fashion with citizens.
- Transparency and accountability are critical elements of sound governance.
- The above ensures legitimization.

Talking Points: Effective Local Economic Development

Tradition suggests that local governments play little if any role in the success of economic expansion. Further, little thought is given to the interaction between a private, competitive market and the principles of democracy. When all three factors—local government, the economy, and democracy—work in concert with each other, there is a better chance of success. After all, economic investment and the activities that create a free and open society occur in communities. Thus, the questions that need to be answered are:

< What is the role of local government in a free market economy?

< How do local governments balance the demands of private enterprises with the protection of individual rights?

The role of local government is complex and will only become more complex as the principles of democracy and a free market economy take hold. It is at the intersection of these principles that the functions of local government are defined. Local governments must be supportive of both dimensions, functioning as basic service provider, contractor, arbitrator, and information broker. Local government officials must create an investment-friendly and environmentally safe community.

The first complexity that local government officials must confront is that they must find ways to accomplish the task of supporting economic expansion and the principles of democracy with little if any support from the central government. Further, local administrators must consider the long-term viability and sustainability of their policies and programs. The bottom line is that local government must begin to recognize the market cost of providing services and the impact that charging market prices will have on business development and individual ability to pay for services, and find ways to ease the financial burden that charging market rates for services will have on both business and individuals. Given this reality, below are a list of functions, programs, and projects that lead to the creation of such a community and respond to the demands of both businesses and the individual citizen.

Local Government and Democracy

Since democracy is self-governance, local officials must be able to answer the citizens' questions and demonstrate to the citizens that their concerns and demands are being addressed in the most efficient and cost-effective manner possible. In addition, the citizens must understand that changes will take time, and that use of public resources in programs that will assist private enterprises is part

of the solution to the problems faced by citizens. Local officials must make accurate information available to citizens, which they can do as follows:

- Use the budget as the tool to improve the fiscal condition of the city. Develop fiscally sound budget documents that clearly identify the sources and use of central and local revenue sources. Budgets are perhaps the single most important function of a local government because the decisions made determine all of the activities, programs, and services the community will provide.

- Establish the "real" cost to deliver every service or program a city provides. Even if the central government subsidizes part of the cost, local officials must be able to identify the components that constitute the total cost. The cost must be based on "real" market assumptions about wages, fuel, transportation, building cost, etc. When local officials make choices about cutting or expanding a service, contracting out a service, or privatizing a service or program, the impact on the fiscal condition of the city and the revenues paid by citizens can only be measured if all costs are known.

- The change to a free market economy and a decentralized structure of government will change the scope of services that local government provides. Many services will now be provided by not-for-profit nongovernmental organizations (NGOs) or even for-profit firms. Generally, NGOs and for-profit firms can provide the service more efficiently and at a lower cost. Hence, local government officials will now play a different role in an effort to make all basic services available to citizens. Rather than be a direct service provider, local government must coordinate service delivery with other agencies. To do this it is necessary to develop cooperative relationships with NGOs and private enterprises that use alternative methods of service delivery. Public officials must often work with NGO leaders to jointly define the level of service that will be provided to citizens, regardless of which institution actually provides the service. Other times, the local government itself becomes a purchaser of a good or service provided by an NGO.

- Typically, government officials base decisions about how or where to provide services on objective criteria such as cost, condition of a public utility, or ability to support business development. Managing the delivery of services in a multi-ethnic community, however, requires that other considerations be taken into account. The most important factor is making sure that the various ethnic groups believe that they are not being discriminated against. A way to ensure that ethnic differences are considered is to create citizens' groups to assist the local elected body or the administrative staff in defining policies or making decisions about service delivery. This allows the various groups to learn about how local officials make decisions and to comment on the decisions about service delivery. Other ways to attend to the concerns of multi-ethnic citizens' groups is to give them an opportunity to promote their uniqueness. Cities trying to attract tourists can promote the heritage and uniqueness

of their citizens' ethnic groups, allowing business owners of different cultures to promote themselves.

< Local administrations define and organize staff in accordance with the demand for and delivery of services and programs. As local governments change the type of services they provide, some staff will fear losing their jobs. New opportunities will develop, however, and staff should be trained to take on the new responsibilities. This requires clearly defining the new opportunities and the skills needed to take advantage of them. In cases where cities contract out for services or simply reduce the size of the city workforce, local officials can encourage private service contractors to hire city employees who have the required skills.

Local Government and Economic Development

In a free market, competitive economy, local government's role is to create an environment that attracts private enterprise investment. No longer can government plan what businesses will operate in their city, but rather local officials must determine what resources are available or are needed that would reduce the cost of doing business. Now that local officials must make decisions about issues once the exclusive right of the central government, businesses and individuals will be more likely to demand assistance or lobby for decisions to invest public resources in areas that favor their own interests. Private enterprises in particular will want to give public officials information so that decisions benefit their business concerns. Not all existing businesses will be successful in the newly competitive environment. It is important, therefore, that local officials be aware of and realistic about what they can do to enhance businesses' competitiveness. Some ways that local governments can promote the economic well-being of the community are:

< Identify and define industries that have a comparative market advantage. Market advantage is a result of readily available resources such as appropriately trained labor, raw materials, demand for the product (by other industries or consumers), and low transportation cost of product to market.

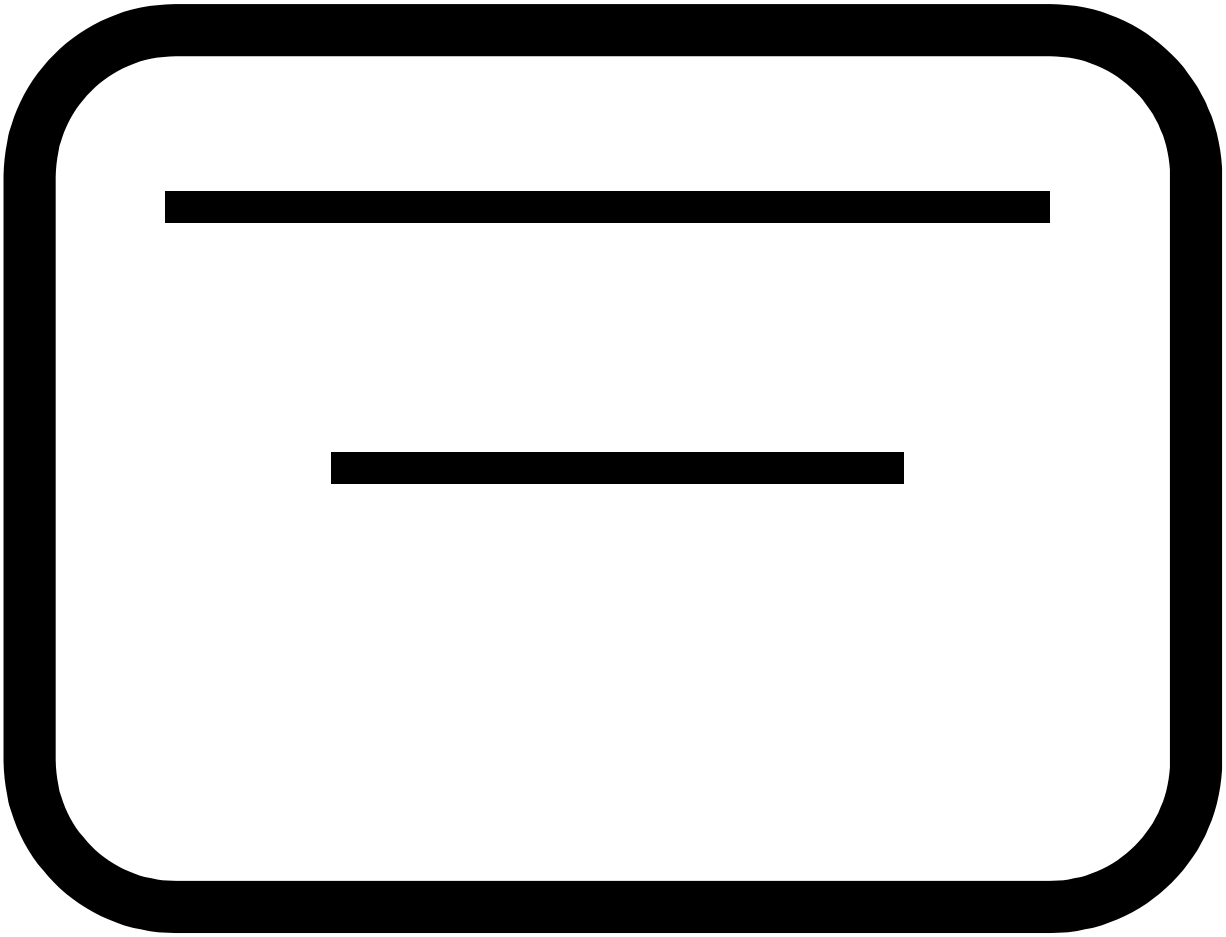
< Define the scope of a business assistance program that is specifically designed to respond to the business community. This type of program requires working with other organizations such as Chambers of Commerce or educational institutions that provide non-academic courses or programs. Some of the programs that local governments can develop are targeted at encouraging new businesses to locate in the community that require the type of labor and labor skills already available, finding markets for business, or developing administrative support systems for private enterprises.

< Identify infrastructure projects that will reduce the cost of doing business. For example, improving roads and transportation systems (flow of traffic) to reduce transportation costs; finding ways to get employees closer to places of

business (long, difficult commutes to work reduce employee effectiveness); and reducing the cost of distribution of water, electricity, and gas.

< It is expensive to construct utility lines and operate the systems. It is also expensive to construct the transportation systems necessary for businesses to distribute goods or for customers to buy the goods. To reduce the cost of new construction, land use decisions should be made to encourage businesses to locate where utilities and transportation exist. Land use decisions and decisions about locating new public utility systems should also promote the agglomeration of business development and operation of businesses in densely populated areas. These types of decisions reduce the amount that businesses will have to pay for public services because the local government will not have to spend so much money for the services, thereby reducing the amount the government will have to charge each business entity.

Overheads



Principles of Local Economic Development

Firms, not government, create wealth.

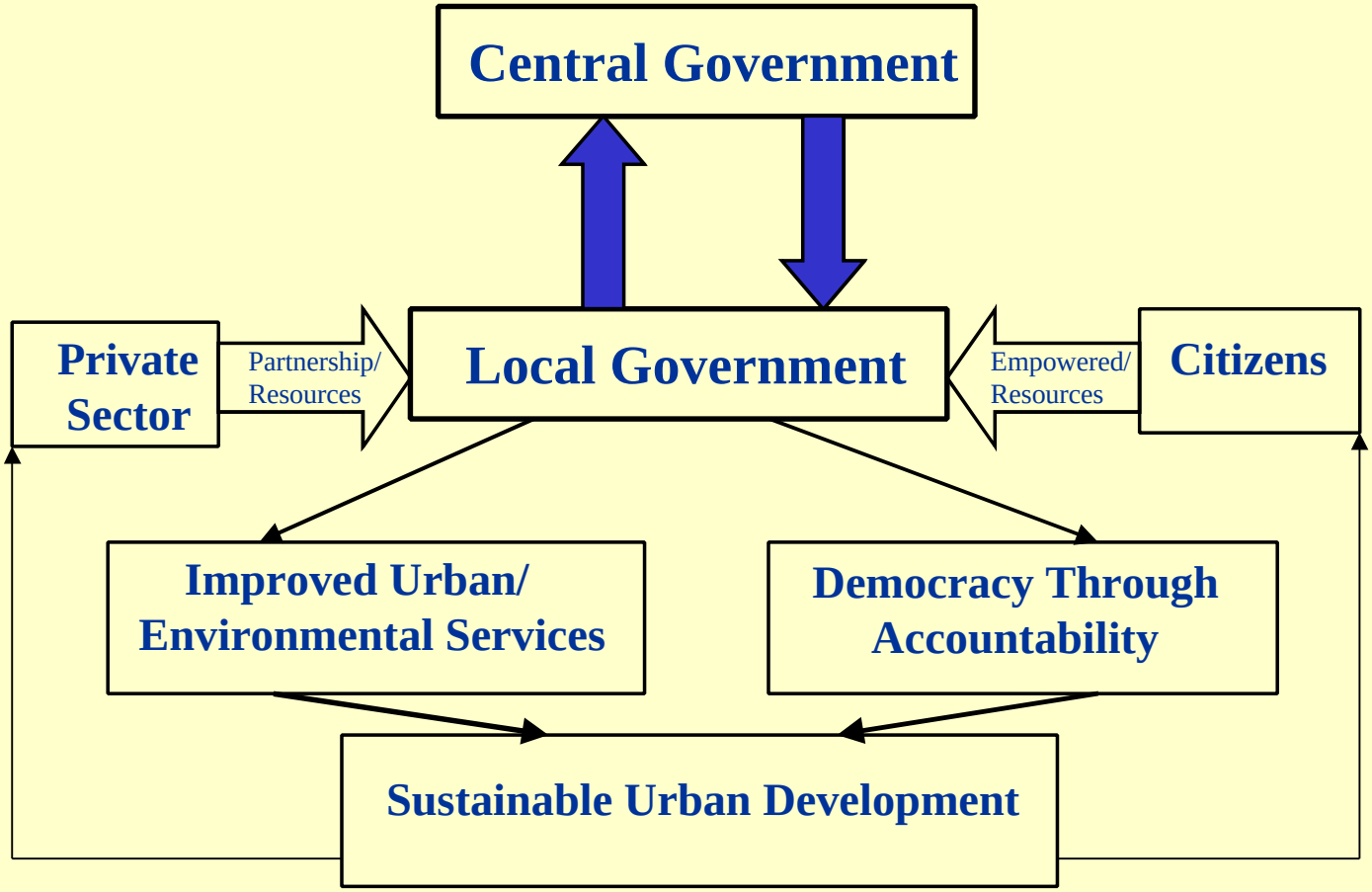
Firms Create Wealth

- Revenues for public expenditures
- Income for citizens
- Capital for investments

Supporting Principles

- Efficiently run public institutions reduce the cost of production.
- The physical environment contributes to a city's competitive advantage.
- Access to employment opportunities improves the overall wealth of a community.
- Local economic development programs should be executed in partnership with national government.

The Empowered Local Government



DAY 3: Environmental Services

Session Overview

Successful service delivery depends on adapting strategies to accommodate the strengths, weaknesses, opportunities, and constraints of the community. In this session, two case studies are presented to explore local government delivery of environmental services under very different circumstances. This enables participants to glean common keys to success and provides further evidence of how to adapt strategies to meet the needs and constraints of a community.

The morning of Day 3 is devoted to a site visit. The site visit not only serves as an alternative way to present a case study, it also provides an opportunity for participants to see service delivery in action. In the pilot course, the site visit was made to Anne Arundel County (Maryland) Water Operations. In addition to a water plant, other options for a site visit in environmental services include a wastewater treatment plant, a solid waste disposal and recycling facility, storm drainage works, street maintenance projects, and a fleet operations and maintenance facility.

The session continues with a presentation from a guest speaker about another case. In the pilot course Nicaragua and Honduras were selected to enable participants to compare and contrast water operations in the United States with those of communities in adverse conditions.

The case studies follow with a guided discussion of how to successfully overcome very real obstacles and what strategies might work in different situations. Whereas local government in the United States is highly decentralized and fiscally and administratively autonomous, countries with less decentralized and restricted local governments are also able to provide effective urban services. Participants are asked to draw comparisons between the case presentation and the site visit and consider the impact of and lessons learned from both, particularly as they relate to participants' own countries or communities. The session then ends with a small-group exercise in which participants work on the environmental services piece of their action plan.

Session Objectives

- To provide an opportunity for participants to witness local government service delivery in action and to ask questions of local government employees who are providing the service

- To present exemplary service delivery and identify practices that may be transferable

- To compare and contrast approaches to the delivery of the same service under different circumstances and to explore common characteristics of success and lessons learned

- To discuss the relationship between environmental service delivery and other areas, such as economic development, and health

- To emphasize that progress can be made even under difficult circumstances and to provide an example of how one or more communities overcame obstacles

- To develop an initial action plan for addressing environmental services in participants' countries, focusing on a selected community.

Trainer's Notes

3¾ hours Site Visit: Environmental Services[1]

After a short overview and exercise designed to prepare participants for the site visit, participants take a tour of the selected facility, listen to the story of how the service is delivered and/or how it changed during decentralization, and ask questions of local government employees. In addition to presenting key local environmental services, the session focuses attention on how these affect other areas, such as health, economic development, and so forth. The talking points for this section should be used as a guideline for discussing environmental services.

5 min

1. Begin with an overview of the day's activities. Explain where you are going on the site visit and what you hope to accomplish. Set the stage by asking participants to list the services that would fall under the rubric of environmental services. List these on a flip chart. The list could include:

   < Potable water supply

   < Wastewater treatment

   < Solid waste disposal

   < Recycling

   < Stormwater drainage

   < Street maintenance and repair

   < Fleet operations and maintenance.

20 min

2. After you have generated a list, lead a discussion regarding the history of these services in the process of decentralization. If participants are from different countries or regions, compare and contrast their responses. Ask the following questions:

   < Which services have always been provided by the local government? Which services has the local government taken over since the country has begun to decentralize?

   < How are the services paid for? Are any of them self-supporting through user fees or charges?

[1] In the pilot course, the site visit was led by Richard Dixon, director of water operations for Anne Arundel County (Maryland). Mr. Dixon also made a brief presentation before conducting the site visit.

- < Have you had experience with privatizing any of these services? With what results?

20 min

3. Turn attention to the site visit. Ask participants, working in pairs, to write two or three questions that will help them learn more about what is key to effectiveness in the delivery of the service under consideration.

2½ hours

4. Participants visit the selected site, where they learn about how the service is delivered and/or how it changed during decentralization, and ask questions of local government employees.

25 min

5. Upon returning to the classroom, debrief participants regarding their experiences. Ask participants to tell you one of the questions they prepared before the visit and the answer to this question. Raise also the following questions:

   - < What did you learn about the delivery of this service? What, if anything, was unique about the site visited?
   - < How did the service delivery method or strategy accommodate the unique circumstances of the community?
   - < Based on this example, what are the keys to successful service delivery?

5 min

6. Conclude with a summary of the discussion. Explain that after lunch you will return to hear another case presentation about the same service delivery area. As participants are listening to this presentation, they should think about how it compares to what they have just seen, as well as how it is applicable to their own situations.

1¼ hours Case Presentation: Environmental Services

The capacity of local government to address the challenges of providing basic services is fundamental. The failures of local administration are particularly stark in many parts of the developing world, and the effects on everything from public health to capital formation are becoming increasingly evident. This presentation looks at how water services can be delivered in the most extreme community conditions and compares the experiences of Nicaragua and Honduras.[2] The presenter should be asked to limit the presentation to 20 minutes and allow time for questions afterward.

5 min

1. Introduce the case by explaining that urban service delivery takes place in very different contexts from one part of the world to another. As participants listen to the case presentation they should think about how the context differs

[2] In the pilot course, this presentation was made by Morris Israel, USAID's environmental advisor for the Bureau for Latin America and the Caribbean.

from that of the site visit and how this affects the approach to the delivery of environmental services. Then, introduce the presenter, giving his or her name and title.

20 min 2. Turn the stage over to him or her to make the case study presentation.

20 min 3. When the presenter has finished his or her presentation, ask for questions from the group. Encourage participants to look at the questions they prepared for the site visit and ask those that are appropriate. (This will allow for better comparison.) For a presentation focused on water delivery, the following questions may be appropriate (these would need to be altered only slightly for another service area):

- What have been the greatest obstacles to urban service delivery? How has the country (or two countries) discussed in the case study overcome these obstacles?
- How does water delivery differ in different cities or parts of the country? What accounts for these differences?
- How is water delivery linked to other urban services?
- What are the links between water delivery and public health, the environment, economic growth or stability, and quality of life?
- How is water delivery paid for? How has this changed?

20 min 4. Turn attention to the site visit. Lead a discussion comparing and contrasting the two case studies.

10 min 5. Conclude the discussion by asking participants, What lessons from the two case studies have been learned? List these on the flip chart. Elements that may contribute to success include:

- Proactive management
- Reputation of local government or service delivery agency
- Donor assistance (financial and technical)
- Clear vision and realistic plan
- Flexible and pragmatic approach that allows for change as warranted
- Local government officials' receptiveness to new ideas and willingness to change
- Willingness on the part of elected officials to take risks, to make decisions, and to accept responsibility for results

- Partnership among various levels of government, agencies within the government, and sectors of the community
- Ongoing monitoring and feedback
- Appropriately placed responsibility and accountability for successes and failures
- Education and training of staff
- Good timing, enabling the local government to capitalize on ongoing reform
- Decentralization and autonomy.

Briefly discuss the list you have generated. Point out that some elements are beyond a local government's control. What can a local government do, for instance, if donor assistance is not available or if it is not given autonomy over service delivery? Emphasize the importance of tailoring strategies and approaches to the unique context.

1¼ hours Small-Group Exercise: Environmental Services Action Planning

Once participants have heard about successful approaches to environmental and urban service delivery, they return again to their action plans to apply what they have learned to their own situations.

1 hour

1. Instruct participants to gather in the small groups they were in to develop the economic development action plan. Working as a group, they are to look at the plan they have designed with an eye to environmental services. (You may want to post the list of environmental services that was generated at the beginning of the day.) Participants should think about how services are currently delivered and how their plans for economic development would affect these services in order to come up with an approach to delivering environmental services. As with the economic development plan, participants should focus on one community and identify priorities in this area. Suggest that they keep in mind the lessons learned you have recorded on the flip chart. Allow groups an hour to work on their plans. Explain that you will not report out on this aspect of the day per se, but will instead have groups make a final report on the last day of the course.

15 min

2. Reconvene the group. Ask participants for feedback about whether they were able to apply what they learned to their own situations. Why or why not? Lead a short discussion to bring the activity to a conclusion before adjourning. Explain that tomorrow you will focus on social services and then allow groups to complete their action plans.

Talking Points: Environmental Services

A well-functioning urban environmental services system considers the ecosystem, balancing the needs of the economic system, natural resources, and human settlements to enable them to coexist and flourish. Without imposing values, four principles of effective management have been put forward to establish the parameters within which decisions about environmental services should be made. These principles of environmental service management are:

- Community resources are used efficiently, reducing the cost of services but supporting economic growth and improving community living conditions.
- Services delivered correspond with the conditions of the community and the demands of citizens.
- As many people as possible in the community have access to as many services as possible.
- Market pricing is the foundation for establishing service tariffs or user fees, generating sufficient revenues to cover all expenditures without, or at least limiting, the use of government subsidies.

These principles should be considered in making decisions, managing programs and services, measuring performance, and implementing financial practices.

DAY 4: Human Services

Session Overview

This session focuses on the delivery of human services (also called social services). Because the U.S. definition of human services is limited in comparison to the definition in many developing and transitional countries, the session begins by focusing attention on just what services appropriately fall under the rubric of "human services" in the participants' countries.

Human service programs are often the most difficult to implement when economies are weak, resources are scarce, and the institutions given authority to manage have little experience. Day 4 of the course uses case studies to focus attention on successful human service delivery. A written case study is followed by a presentation by a guest speaker. As with economic development and environmental service delivery, the two presentations provide a means for comparing and contrasting two situations and for applying lessons learned to the participants' countries or communities. The session then ends with a small-group exercise in which participants complete their action plans.

Session Objectives

- To identify services that fall under the human services umbrella, to define the characteristics of beneficiaries of human service programs, and to develop a common definition for human services
- To provide human service delivery case studies, offering participants an opportunity to compare service delivery under very different circumstances and to explore common characteristics of success and lessons learned
- To identify the critical institutional and structural challenges that must be addressed when changing delivery of human services
- To determine actions needed to create a political, social, and economic environment that would facilitate change in participants' own countries or communities.

Trainer's Notes

1¼ hours **Presentation: Defining Human Services**

The U.S. definition of human services is limited in comparison to the definition in many developing and transitional countries. However, certain economic and political characteristics of human services are universal. This session will illuminate these characteristics and offer them as a tool of analysis for the day's remaining presentations.

5 min 1. Begin by welcoming back participants. Ask if there are any questions remaining from yesterday. Ask also if participants thought about or worked further on their action plans.

5 min 2. Introduce the topic of the day: human services. Explain that there are different definitions of human services depending in large part on the country in which you live. Ask participants to list services that are included under the "human services" or "social services" umbrella. List responses on the flip chart. Just a few of the many services that may be mentioned follow:

- < Education
- < Vocational training
- < Provision of food
- < Housing
- < Income subsidies
- < Children's services
- < Women's protective services
- < Public health.

5 min 3. Once participants have developed a list, explain that some services that are not classified as human services may as a result fail to be given adequate attention or considered in conjunction with their effect on other services. In some

countries, public safety may be an example; in others, vocational training may not be included in the human service arena. Ask participants to think about other services that might not be neatly categorized. Use the discussion to focus on the interrelationships among municipal services and the difficulty of categorizing them, as well as the limitations that categories may place on alternative strategies.

25 min

4. Write the following four headings on the flip chart: "Beneficiaries," "Service," "Government's Role," "Solutions." Ask participants to think about the beneficiaries of human service programs. For each group of beneficiaries, ask them to discuss the services that serve the beneficiaries, the government's role in providing the services, and the specific solutions that the government offers. Record responses on the flip chart. Beneficiaries to be discussed could include:

   < Orphans

   < Street children

   < Homeless families

   < The poor

   < Elderly people

   < Disabled workers

   < Rural communities

   < People with AIDS

   < Illiterate adults.

25 min

5. Once you have generated a list, discuss the role of the local government in meeting the needs of the population. Raise the following questions:

   < How can a local government establish priorities? How might priorities differ from one community to another?

   < What is the role of the central or state government in human service delivery?

- What is the role of private agencies? What is the impetus for private sector involvement?
- How can local governments fund their initiatives? How can they support private sector involvement in the provision of human services?
- How has the delivery of human services changed since the process of decentralization began?
- What constraints are there on providing adequate services? What opportunities exist for improving service delivery?
- How are the problems of the population interrelated? What are the root causes of various problems?
- In many cases, human service delivery is fragmented. Could an integrated approach to service delivery better meet needs? Why or why not?
- What success stories can participants point to in the human service delivery area?

10 min

6. Conclude by drawing from the discussion keys to success and commonalities. These may include:
   - Local design and administration
   - Shared funding (public, private, NGO, donor)
   - Unified, cooperative approach
   - Local government involvement or lead in prioritizing community needs
   - Links to other strategies and goals of the community (e.g., economic development).

1¼ hours **Written Case Study: Human Services**

Even in difficult situations, some local governments have been successful in delivering a range of human services. In this session, a written case study is used

to identify keys to success.[1] *The pilot program used an article from* The New York Times *about Dubna, Russia. This article is included as a reading in this Trainer's Guide, but it may be preferable to substitute a more up-to-date reading that focuses on a community within the participants' region. Include the article in the participant's notebook and bring extra copies for those who do not have theirs with them.*

5 min

1. Introduce the topic at hand. Explain that the group is going to discuss a written case study focused on one community's approach to social service delivery. As participants read the case study they should think about the following questions (write these on the flip chart or overhead):

   < What obstacles did the city in the case study (e.g., Dubna) face?

   < What did the city do to overcome obstacles? How did the city capitalize on opportunities?

   < What were the results of the city's efforts?

15 min

2. Allow participants 15 minutes to read the article.

25 min

3. List the following headings on the flip chart: "Strengths," "Weaknesses," "Opportunities," "Threats." Lead a discussion using the questions above. List characteristics of the community under the appropriate category as they are mentioned. Then, ask participants to specifically identify the community's strengths, weaknesses, opportunities, and threats. (Weaknesses that should be mentioned include the difficulty of finding adequate funding in emerging countries; threats include the changing elected leadership during the long term needed to plan and implement a strategy.)

25 min

4. Finally, ask participants to focus on lessons learned, capturing their responses on a flip chart. Keys to success might include:

   < Visionary and goal-oriented leadership of mayor or other local leaders

   < Willingness to take a risk on the part of the mayor (or other local leaders)

[1] As an alternative to this approach, several cases could be used to allow participants to compare and contrast what occurred in more than one community. If you prefer this option, break participants into small groups of five or six people each, and assign each group a different case study. (If the group is large, assign the same case to two or more groups.) Ask participants to read the case study and discuss the questions that follow. Then each group should report out. Use the reports to discuss common themes and keys to success.

- < Strong partnership and cooperation of external and internal partners
- < Recognition of and capitalizing on a variety of resources, including time and talent as well as money
- < Appropriate role of external partner that brought new perspective but was not heavy-handed about goals or results
- < Mutual goals on the part of all partners
- < Programs and efforts tied into other goals (economic goals, national security)
- < Integration among various programs and services
- < Gradual program that built on success
- < Long-term commitment
- < Effective leveraging of scarce financial resources
- < Good timing that capitalized on opportunities.

5 min

5. Conclude with a summary of the discussion. Focus on the fact that Dubna did not start out with a long-range strategic plan; sometimes it is better to start small and build on early successes. Then a SWOT analysis can help fill in gaps and point out how progress relates to goals.

1 hour Case Presentation: Human Services

The United States has recently undergone dramatic changes in the way human services are delivered—a trend that continues today. In this presentation, a U.S. case study is used as a tool for analyzing service delivery in transition. This enables participants to identify critical barriers to implementing a locally based human services program. Ask the presenter to limit the presentation to 20 minutes and to answer questions following the presentation. (The pilot program focused on the human services unit of Anne Arundel County, Maryland.)

5 min

1. Introduce the case by explaining that social service delivery takes place in very different contexts from one part of the world to another. As participants listen to the case presentation they should think about how the context differs from that of the written case study and how this affects the approach to the

delivery of human services. Then, introduce the presenter, giving his or her name and title, and a brief description of why this particular case was selected.

20 min 2. Turn the stage over to him or her to make the case study presentation.

15 min 3. When the presentation is finished, ask for questions from the group. Further discussion may focus on:

- < The role of the private sector in human service delivery and what services have been contracted out
- < Advantages and disadvantages of engaging the private sector in human service delivery
- < The major concerns and priorities of the local government and how this affects service delivery
- < The relationship among the local government and neighboring cities and counties and what (if any) initiatives are in place to coordinate human service programs
- < The relationship between the local, state, and federal government and the policy decisions that are delegated to the local level
- < How programs are funded, including block grants, user fees, or service charges
- < Success rates of various programs and how success is measured
- < Changes that have occurred in the funding of, mandate for, and need for human service programs and how the local government has adjusted accordingly
- < Anticipated changes in the future.

10 min 4. Turn attention to the written case study. Lead a discussion comparing and contrasting the two case studies.

10 min 5. Conclude the discussion by asking participants, What new lessons from the case study would you add to previous lists of lessons learned? Add these to the list on the flip chart from the previous session.

1–3 hours **Small-Group Exercise:** Action Planning

The session ends with time spent in small groups putting the final touches on the action plans. The time required depends on the needs of the small groups.

Instruct participants to gather again in their small groups to finish their action plans. Instruct small groups to focus on all three functional areas discussed (economic development, environmental services, and human services). They should think in particular about what they have to build on. Then, they are to focus attention on the one step they plan to take that will facilitate decentralization and encourage better service delivery. Participants should spend as much time as needed and should give their completed work to you on a disk before leaving for the day. Explain that you will spend tomorrow morning presenting and discussing the plans participants have developed.

DAY 5: Action Plan Presentations

Session Overview

In this final session, participants present their action plans. The session concludes with a wrap-up of the course, focusing once again on the lessons learned, before participants complete course evaluations and receive certificates of completion.

Session Objectives

- To provide an opportunity for participants to share and receive feedback on their action plans
- To review key concepts from the course and bring closure
- To obtain feedback from participants that can be used in planning and implementing the course in the future.

Trainer's Notes

1¾ hours Action Plan Presentations

Prior to conducting this session, the facilitator should read the action plans submitted by participants and glean from them the actions to be taken in each of the three areas discussed and the critical adjustments that need to be made to achieve these actions. Put these in a PowerPoint presentation (or similar format), with the three areas on one slide and the critical adjustments on the next.

5 min 1. Welcome back the group and review the day's agenda. If anyone has to leave early, emphasize the importance of completing a course evaluation before leaving. Tie up any loose ends from the previous day's work.

90 min 2. Using the PowerPoint presentation you have developed, show the action items from the first slide. Read the action items, looking to the group that developed them for any clarification of ideas. Then, turn to the next slide and ask a spokesperson from the small group to review the critical adjustment that they recommend and how it will help achieve the actions on the previous slide. After each group's report, ask for additional clarification if needed. Ask other participants also to ask any questions they have about the group's report. Focus particular attention on the rationale behind the critical adjustments that are recommended and relate the report back to the role of the local government and discuss lessons learned. Discuss also how the problems and solutions relate to the country's decentralization process and progress. For example, are needed laws in place?[1]

10 min 3. After all groups have had a chance to speak, discuss common themes and approaches. Emphasize the following key points:

- Different approaches are needed for different localities. Approaches should be tailored to capitalize on strengths and opportunities of a specific locality.

- A number of trends may influence what can be accomplished in the future. Information technology, for instance, will grow in importance. Localities may wish to consider how to prepare for the future and capitalize on such opportunities that are likely to arise.

[1] Two hours were needed for 12 presentations in the pilot course. Since there are likely to be fewer groups in subsequent offerings, it is assumed that less time will be needed, but the time may vary according to the number of small-group presentations.

- Tourism is often pointed to as a “quick fix” for a community’s economic woes. Tourism may have unanticipated costs and problems. It is important to proceed with caution.

- Local governments can learn a great deal from one another, as evidenced in this course. Strong associations and informal gatherings can help strengthen local governments.

- An active citizenry is an important instrument for change. Without having citizens “on board,” a well-intentioned initiative may quickly fail.

- Corruption is a problem that has plagued many governments during the process of decentralization. Open and transparent systems are the best way to counter corruption.

- A majority of the critical adjustments offered by participants focus on changes in practices, not in laws. Pilot programs can inform the laws.

- One has to be careful of applying decentralization as a panacea. In itself, decentralization will not solve any problems.

½ hour Evaluation and Conclusion

The course ends with written evaluations and a brief ceremony to bring closure to the course.(The course may end with lunch to allow participants an opportunity to say good-bye.)

15 min 1. Distribute the course evaluation forms to participants. (A sample evaluation follows this session.) Emphasize any areas on the evaluation where you would like particular guidance. Allow participants 15 minutes to complete the evaluations.

5 min 2. Thank participants for their time. Encourage them to keep in touch with one another as they return to their communities, particularly as they begin to implement the action plans they have developed. Ask them to think about the one step they will take to further the plan in the next week and to write a reminder in their calendar or notebooks. Specific actions could include looking up a site on the Internet, setting up a meeting with a colleague in their community, or following up with one of the presenters to learn more about a specific case.

10 min 3. Hand out certificates of completion.

Cities Matter: Analyzing Practices That Work in the Age of Decentralization

Course Evaluation

Name (optional): _____

Overall, how would you rate this course on a scale of 1-10 (10 being the highest rating)?

Briefly, why did you give this rating?

How helpful do you think this course will be to you in your work?

How has this course changed your thinking about the impact decentralization will have or has had on the effectiveness of local government in your country?

What were the most useful parts of the course (case studies, presentations, discussions, analysis, readings, informal information exchange)? Why?

Please comment briefly on each of the sessions.

What suggestions do you have to improve the course?

What follow-up activities or other course topics would you recommend?

Other comments:

Case Study Readings

- Strategic Planning of Local Economic Development (Sibiu Development Agency)
- Institutional Arrangements for Rural Communities: Municipal Promoter Program in Nicaragua (Harold Lockwood)
- The SAANA Technician in Operation and Maintenance Program in Honduras (Andrew Trevett)
- "A Fit City Offers Russia a Self-Help Model" *(New York Times)*

SIBIU DEVELOPMENT AGENCY

STRATEGIC PLANNING FOR LOCAL ECONOMIC DEVELOPMENT

Introduction

Over the last two decades, it has become increasingly clear that the existence of a healthy economy and society is impossible in a world dominated by poverty and polluted environment. It is much more likely that the social pathologies that make individuals, social groups, and nations suffer will arise in impoverished circumstances and disorganized societies. Countries with weak economies lack efficient state structures that can secure safety for their citizens and others who do business in those countries. Phenomena such as theatre governments and public institutions, corruption, exploitation, and dominance of small oligarchic groups frequently appear in poor countries. Environmental pollution, poverty, deterioration of ethical and cultural values, and lack respect for humanity are typical examples of pathologies that arise in places without sufficient interest in the steady and gradual development of local communities.

Renouncing the central planning system and restoring the local government structures were some of the most important consequences of the political transformation that took place in Romania at the beginning of the 1990s. Over the last few years, Romania made efforts to establish a solid ground for operating as a sovereign, democratic country, whose main goal would be stimulation of individual and social development. However, a further transformation of the system is impossible, unless future actions are properly organized and planned for a longer period of time.

Development planning has become a necessity for the entire country as well as for each local government. Looking for efficient and economically effective ways of avoiding all the obstacles in increasing the standard of living has been one of the most urgent issues in the process of day-to-day municipal operations, since the successful and comprehensive development of a municipality heavily depends on the growth rate and the development of the local economic sector.

Local development is based on improving the local community's standard of living through developing public services and creating favorable conditions for the fulfillment of individual needs. The majority of activities performed by each human being focus on fulfilling one's own, individual needs. However, fulfillment of certain needs depends on cooperation between bigger or smaller social groups. Such social organization may be formal or informal—starting with temporary groups of self-protection, through associations, foundations, local government institutions, state institutions and, finally, international organizations.

Local government institutions have a specific role in enhancing the citizens' standard of living due to their legally defined structure, revenues, and competencies that permit them to carry out their duties. Local government officials should keep in mind that equally important sources of potential activities are common sense and responsibility for the collective interest of all citizens.

The main elements of the natural and social environments that influence the local standard of living are the same as those that determine the attractiveness of the given region to businesses. Therefore, there is no contradiction between the actions taken to stimulate development of individuals and local groups, and actions taken to boost the local economy. On the other hand, local governments may assign different priorities to the two types of actions.

Public Administration in the Process of Stimulating Municipal Economic Growth

It is generally accepted that public administration and private enterprises are two independently operating sectors, and the only activity that they share is tax obligation. Such a point of view may not admit any reason for local governments to intervene in the process of stimulating economic development. Private enterprises operating in a free market economy (free competition) independently determine their activities and methods of development. Therefore, is it inappropriate to talk about the function of authorities and local government in the process of stimulating economic development? If we consider that quite recently the national economy was under central management, the relation is even more doubtful.

Stimulating economic growth through activities at different levels of the public administration is definitely realistic. No enterprise operates in a vacuum, but in a defined physical, social, and legal environment. Although private companies independently decide upon their activities, their decisions heavily depend on many factors and, among others, on public institutions. The latter are responsible for determining social and legal order in the state, which is a basis for economic activities. Moreover, they undertake regulatory activities that parallel the processes of social and economic development.

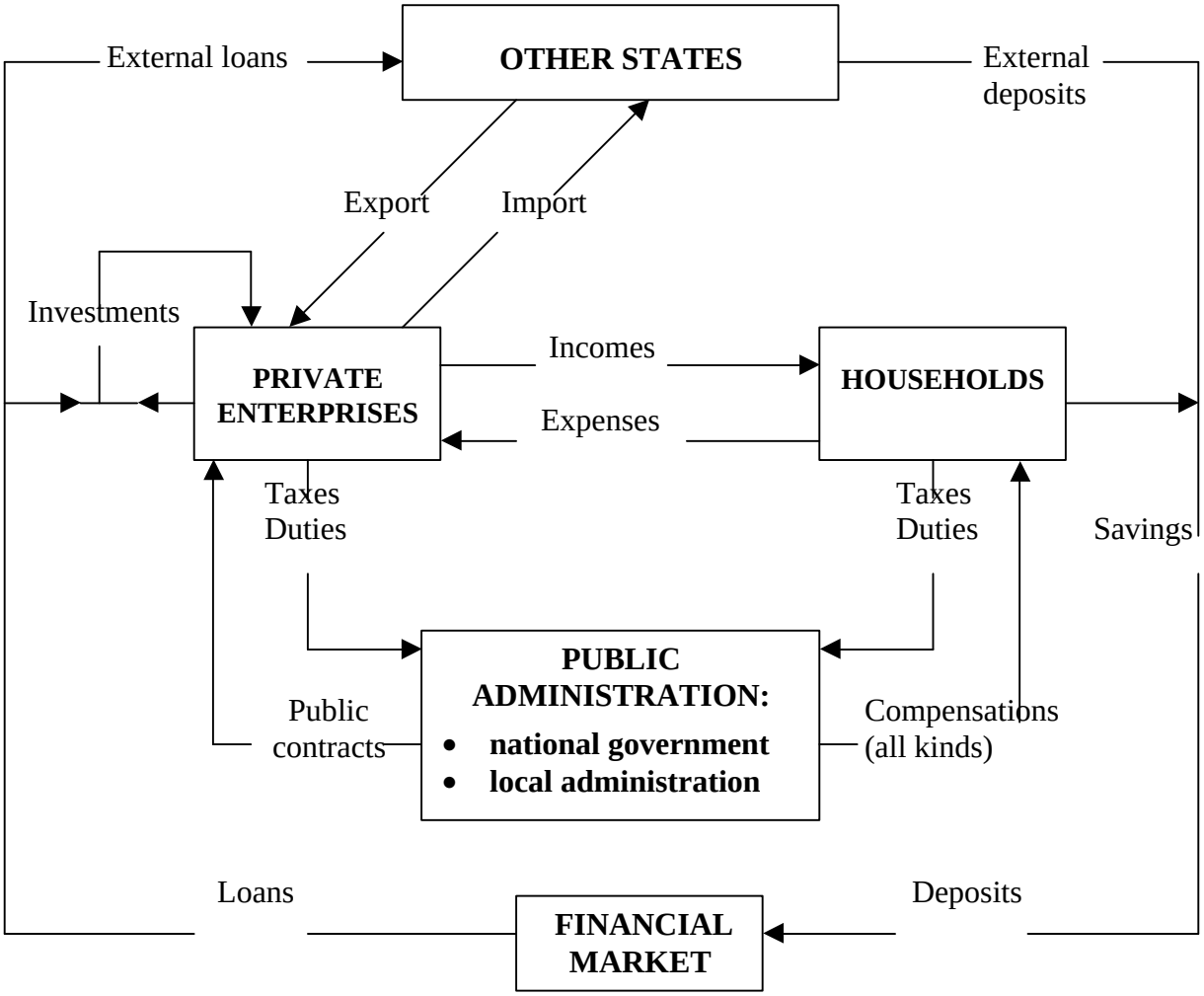
Public authorities define and protect ownership rights, thus ensuring a solid legal basis for property transactions. Laws established by public authorities in the fields of finance, taxation, customs, labor and social security are crucial for economic development. Public authorities may also act as regulators of economic processes that encourage the industrial sector and reduce the undesirable consequences of a free market economy. Influence of the authorities upon economic processes may be reflected, for example, in redistribution of gross domestic product (GDP) via transfers to economic entities that are too weak to operate in an environment of free competition.

The state supports the economy by providing the following:

- Maintenance of the public social security system
- Land development and land management
- Maintenance of roads, bridges, the sewage system, etc.
- Public safety services
- Financing of educational institutions
- Subsidies, chip credits, and support programs
- Public procurement
- Participation of public authorities in economic activities.

Figure 1 presents macroeconomic relations among enterprises, households, and the public administration sector. The figure shows the exchanges that take place among the three actors of the domestic economy. The types of exchanges include in particular capital flows in the form of goods, labor, and services.

Figure 1. Macroeconomic Relations among Enterprises, Households, and the Public Administration Sector



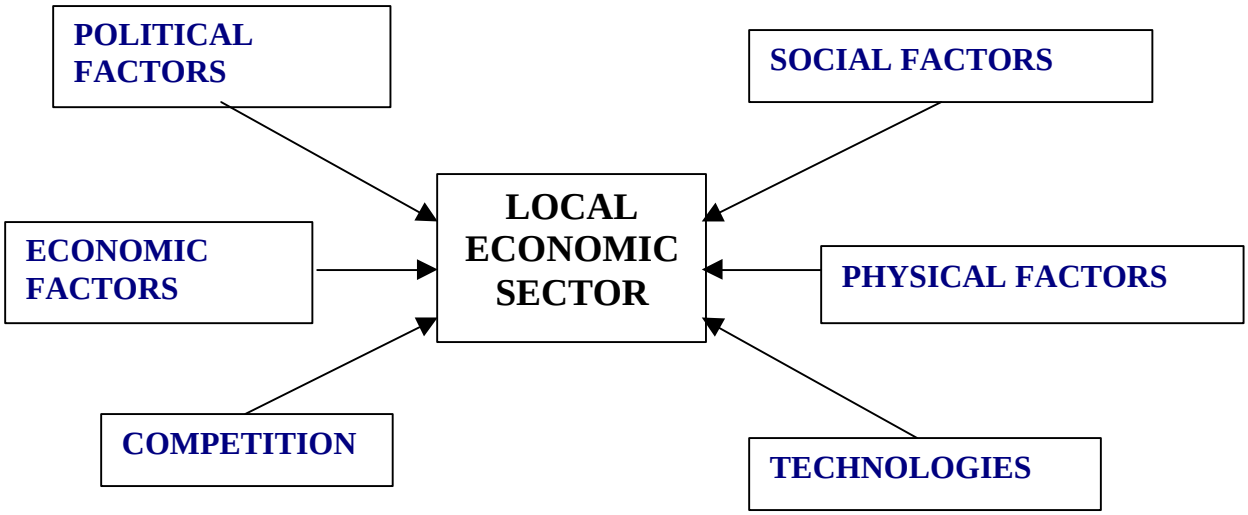
Each of the three main actors of the domestic economy is a buyer and a seller at the same time. Households purchase goods and services that are manufactured by enterprises, while on the other hand, they generate income by selling their labor. The public sector (at each level) acts as a regulator of the economic processes that take place between the two other entities: private enterprises and households. Central, regional, and local authorities create the law, fiscal policy, and custom policy and perform other activities that comprise the state's intervention in the economy.

Enterprises are a crucial sector of the economy. Weakening of the enterprise sector lowers the standard of living of the community through deterioration in the quality of the services provided by the public sector. The public administration is particularly concerned about the good condition of the enterprise sector, since it affects the activity of households and all other elements of the state structure.

To support development of local enterprises, one should remember that each business regularly evaluates its opportunities for development. Businesses have to judge the impact of each factor

shown in Figure 2 on its operational costs together with the investment risk. The more factors that are positive, the more willing the business will be to undertake economic activities.

Figure 2. Factors Affecting the Local Economic Sector



Elements of the business environment are as follows:

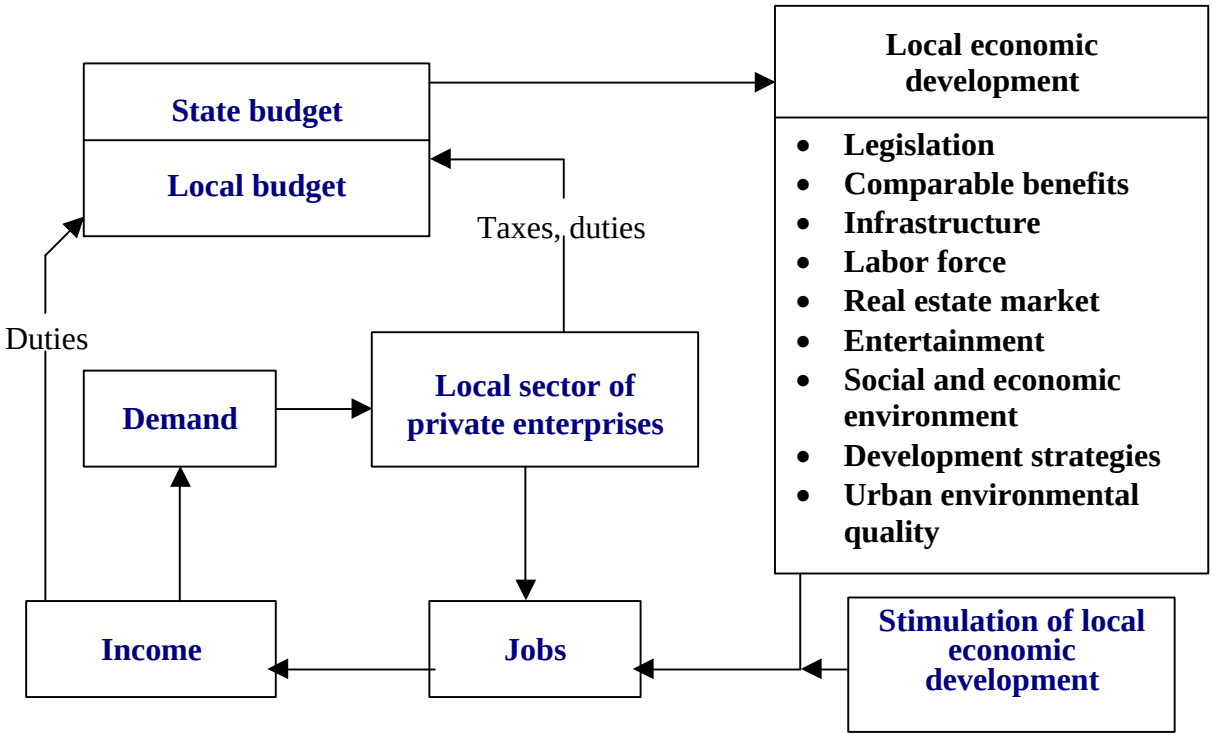
- **Political factors:** law, economic policy of the government, local political groups, etc.
- **Economic factors:** structure and level of demand, price of raw materials, inflation rate, balance of trade, access to capital, banking rates, gross domestic product (GDP), etc.
- **Competition:** domestic and foreign companies, substitutes, potential competitors.
- **Technologies:** information, innovation, access to advanced technologies, access to skilled labor.
- **Social factors:** demographic trends, level of education, ethical and cultural values, behavior, habits, etc.
- **Physical factors:** access to and price of land, infrastructure (sewage system, electricity, heat, gas, communication system), roads, parking garages, local mass transportation, access to apartments, rental rates, entertainment, urban environment advantages, etc.

Evaluation of the attractiveness of the municipal economic environment should focus on factors that municipal authorities can influence. The evaluation should result in decisions on use of municipal funds and resources that will benefit existing businesses and will encourage other entrepreneurs within the municipality.

Elements of the Environment That Affect Business Location

Development of the local economic sector directly influences the standard of living of the community. As depicted in Figure 3, business development creates new jobs, which are a source of income; the income generated creates demand for consumption goods; demand stimulates production of goods and services, etc. Therefore, the fundamental goal of all efforts to stimulate the development of the local community is to create new jobs.

Figure 3. Stimulating the Local Economy



The municipality can influence elements of the local economy that include the following:

- Advantages of the municipality's location
- Roads and parking garages
- Transportation
- Technical infrastructure
- Local labor market
- Local real estate market and access to apartments
- Communication systems
- Recreational facilities
- Investment and financial policy pursued by local authorities
- Commercial contacts
- Advantages of the natural environment
- Quality of the social environment
- Quality of the urban environment.

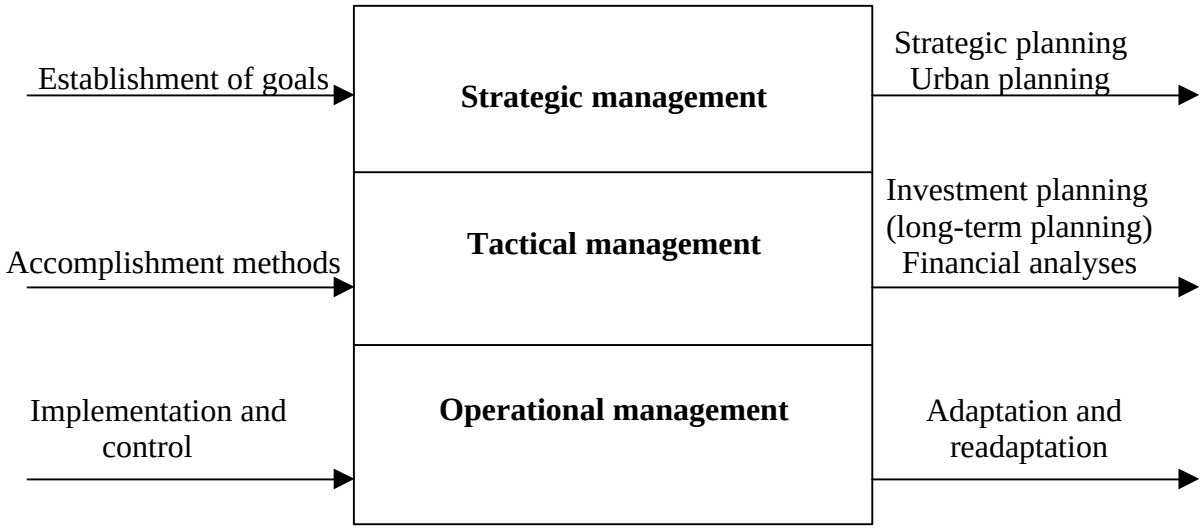
Development of private enterprises creates new jobs and generates income (for households and for the public budget). Indirectly, it also increases the independence of the municipality's citizens and encourages them to take responsibility for their own interests. Creating favorable conditions for business development should be one of the most important short-term goals of the local government.

The municipality should increase its economic attractiveness by establishing competitive advantages over other similar regions. While paying attention to existing businesses, the municipality should also find new investors offering the best conditions for developing economic activity on its territory.

City Management

The three levels of management can be easily identified in the municipal management structure: **strategic**, **tactical,** and **operational** (see Figure 4).

Figure 4. Municipal Management Structure



Problem solving and management require a decision-making process based on the same rules that determine activities of well-managed organizational structures. The stages of strategic, tactical, and operational decision making match the stages of the municipal management process. Municipal management is a process of reaching agreements at each level of the management process. The agreements are the base for many contracts made in order to achieve short-term goals and strategic economic programs.

Preparation for a Municipal Development Strategy

Stage I: Gathering and Classification of the Information

Information on the municipality should be presented in a "Report on the Municipality's Condition," which is crucial input for the SWOT (strengths, weaknesses, opportunities, and threats) analysis. The Report constitutes fundamental background material for further work on the municipal development strategy. Moreover, data in the Report may be used in the preliminary analysis on conditions and directions of further municipal land development.

The municipality should use the data in the Report to identify the major directions of change that will take place in the community. The "Municipal Development Strategy" should determine the direction of future development (mission), intermediate goals (key issues), and action plans.

Stage II: SWOT Analysis

The municipality's development potential is identified in a SWOT analysis. This method is widely used in the private sector and allows for evaluation of the internal and external potential for growth. In the case of municipal economic development planning, a SWOT analysis should encompass four basic areas:

- Evaluation of macroeconomic conditions
- Research on conditions for the private sector
- Research on the competitive environment
- Research on internal, organizational conditions of the municipality.

Analysis of the municipality should focus on the past, present, and future development in particular functional stages. In forecasting the main directions of its economic development, the municipality should consider the following key questions:

- How does the local economic system fit into the national and regional (provincial) economic system?
- What trends exist concerning the transformation of the local economic sector, and what are the main barriers to its development?
- What direction should the future development of the municipality take?
- What cost increases for infrastructure expansion should be forecasted in each scenario of the municipality's development?

The conclusions should provide answers to the following general questions:

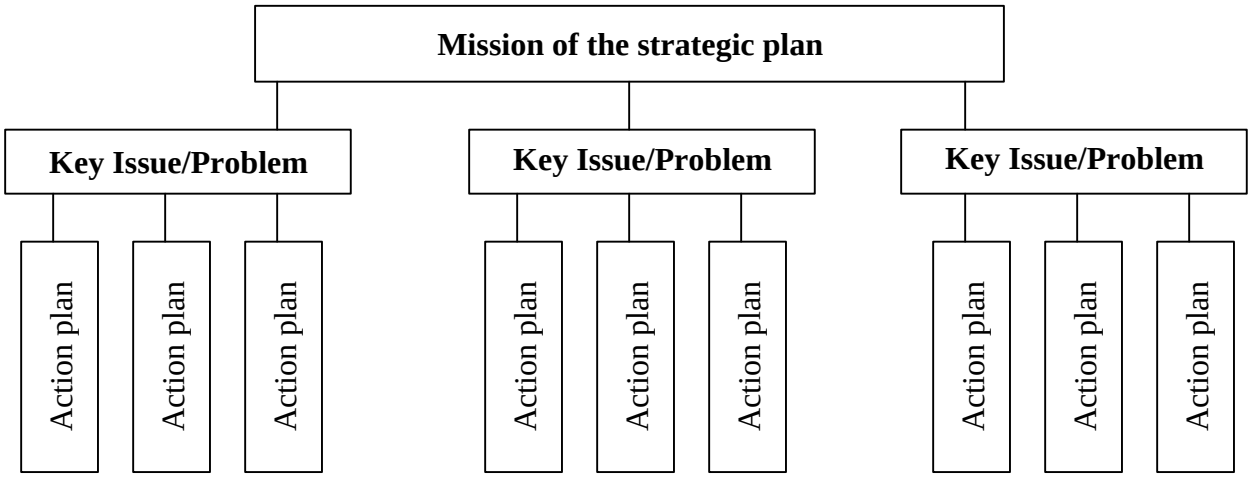
- What elements of the municipality's environment should be improved so that the municipality can become a place worth working in (or running one's own business) and living in?
- What public and private investments should be undertaken so that the municipality can become a more attractive location for economic activity?

These analyses should be made first by the members of the Municipal Development Committee (for the needs of the strategy) and then by a specialized team (from the Office for Town Development) with the involvement and broad cooperation of all municipal organizational units and other public and private institutions.

Basic Structure of a Municipal Development Strategy

There are three basic components of the municipal development strategy: mission, key issues/ problems, and action plans.

Figure 5. Components of the Municipal Development Strategy



The Mission: A Vision of Municipal Development

Identifying and structuring the municipality's development is a process of determining the municipality's desired condition after 5–10 years. The vision of development is a consistent definition encompassing basic values of the municipality's public life and main strategic goals of its growth.

Key Issues/Problems

During the stage of key issue determination, the municipality identifies and defines intermediate strategic goals; i.e., issues that are crucial for achieving the vision of municipal development. The issues may refer to the necessity of removing obstacles and neglects, or they may focus on harnessing the potential of the municipality's advantages. The level of detail in determination of key issues for further development should vary as appropriate.

Example: Main goals of the " Sibiu Development Strategy":

- Establishment of a favorable business climate
- Integration into the global economy
- Improvement of the urban environment
- Establishment of a favorable and stable social environment.

Strategic Action Plans

Determination of strategic action plans is the last stage of the process of strategic planning of municipal development. A set of municipal strategic action plans, presented in the form of concrete projects, is the main element of municipal development planning. The plans should be consistent with the previously determined vision of municipal development and refer to key issues that were identified as crucial for further development.

Figure 6. Strategic Action Plan (Project) Form

STRATEGIC ACTION PLAN			
Number:	Title:		
Goal:			
Entity responsible for implementation:			
Implementation phase I			
Implementation phase II			
Implementation phase III			
Implementation phase IV			

Strategic action plans are tools for combating key problems. Municipal economic development programs should implement the strategic decisions about municipal development assuming also the form of implementing the projects as follows:

- Annual and multi-year investment plans
- Municipal financial programs (guidelines for multi-year budgets, bond emissions, shares, subsidies, grants, other sources of financing)
- Policies for managing municipal property (such as real estate)
- Projects for improving the organization of municipal units
- Projects for improving information system management
- Projects for improving the methods of management and the functioning of municipal units
- The municipality's spatial development
- Programs promoting and assisting local small and medium-size businesses.

The contents of municipal economic programs should establish:

- Goals that the program should address
- Recommendations concerning organizational conditions required for the program's implementation
- Stages of the program's implementation
- Systems for monitoring and controlling the implementation
- Information on implementing individual stages and on sources of financing.

The vision of the municipality's development and related subjects of economic plans should be based on microeconomic projections and a creative search for optimum methods of development. Strategic planning should be a creative process determining the main problems of the local community and helping local authorities utilize local potential to the maximum extent possible.

Partnership

The Municipal Development Strategy should be a joint achievement of all the municipality's citizens. Strategic development programs should reflect a common point of view of the community. The best representatives of local communities, who are truly respected and who can actually influence the outlook of the municipality, should be involved in the work on the strategy. Such involvement aims mainly to make use of local representatives' broad knowledge of the municipality and their strong ties to the area, due to many years of residence and professional work.

The involvement of representatives of local groups and communities in creating municipal strategic development programs has proved effective and is applied in many countries. Wherever such programs are developed in partnership, their chances for implementation improves considerably, as the community takes ownership of a strategy prepared in this way.

The strategy should not become a political program; its content should not be formulated under political pressure nor through struggle over individual local interests. Political neutrality, the will to cooperate, and partnerships should be the key methods used by all those involved in the work on strategic development programs.

Municipal Development Committee

The group of specialists who are involved in the strategic planning process is called in Romania a Municipal Development Committee.. An invitation to join the Committee should be treated as an honor and expression of respect. For this reason, the Committee should have a noble sounding name, such as the Council of Local Leaders, Committee for City Development Strategy, or City Development Forum. It should consist of:

- Representatives of self-government and the government administration
- Local business leaders and major employers
- Representatives of the local educational system and of cultural and professional associations
- Representatives of the municipal services (water supply, sewer system, electricity, gas, etc.)
- Representatives of other local institutions (e.g., Chamber of Commerce, Environment Agency).

The list above serves only as a suggested group of specialists who should be taken into account in establishing the Committee. The Committee should be balanced and should have enough members to perform its tasks in an efficient way. The basic tasks of the Municipal Development Committee are:

- Analysis of the strong and weak points of the municipality
- Assessment of conditions for development of the municipality
- Creation of a perspective for development of the municipality
- Identification of medium-term strategic goals and operational plans
- Undertaking of a feasibility study for various operating programs
- Compilation of a list of basic tasks (action plans).

Institutional Arrangements for Rural Communities Nicaragua: Municipal Promoter

Harold Lockwood

This case study documents a model for providing back-up support to community-managed rural water supply and sanitation systems in Nicaragua. The model was formalized in 1997 based on earlier experiences in the region covering the Departments of Matagalpa and Jinotega. The region has a rural population of about 540,000, which represents about 70% of the total population. Coverage for water supply is 35% and for sanitation is 36%. The model builds upon the existing structure of water committees and regional promoters of the National Water Supply and Sanitation Company (ENACAL) and adds a key link at the local level in the form of a municipal O&M promoter. The municipal promoter is an employee of the municipal government but works under the technical supervision of the regional promoter. To date, promoters have been established in nine municipalities providing services to approximately 55% of the rural population in the region with improved water supply systems.

After two years of operation, the results are encouraging. Monitoring reports indicate that 95% of the 300 systems under the care of the municipal promoters are operating at acceptable or above-average levels. While not entirely problem-free, the model has succeeded in creating locally based capacity within the municipalities for meeting acceptable standards of service provision in rural water supply and sanitation. This case study shows what can be achieved in that regard with modest donor assistance, a sound legislative framework, a competent government institution, well-trained promoters, and a supportive municipal government.

Background and Context

The population of Nicaragua is estimated at 4.9 million people, with approximately 2.3 million living in rural areas. The Government of Nicaragua (GoN) estimates coverage levels for rural water supply and sanitation (WS&S) at 36% and 38 % respectively, the 1999 among the lowest levels in Central America. However, these national averages do not convey the wide variations from area to area, with coverage for water supply as low as 7% in certain locations[1]. The GoN is aiming for provision of water supply to 50% of the rural population by the year 2002. Nicaragua also fairs poorly when compared to other countries in the region in terms of more general socioeconomic development. Aggregated data for key indicators are given in Table 1.

[1] ENACAL-GAR Central Office, National Information System for Water Supply and Sanitation (SINAS), 2000

TABLE 1: COMPARATIVE SOCIOECONOMIC INDICATORS FOR CENTRAL AMERICA

COUNTRY	INFANT MORTALITY (per 1000)*	GDP per CAPITA (US$)*	ILLITERACY RATE (%)*	RURAL WATER (%)**	RURAL SANITATION (%)**
Costa Rica	14	2,400	5	84	70
El Salvador	34	1,360	28	46	65
Guatemala	49	1,200	44	78	74
Honduras	31	600	27	79	78
Nicaragua	46	340	34	33	34
Panama	18	2,580	9	N/A	N/A

Source: *UNICEF, 1997/98

From its inception in 1979 until very recently, the Nicaraguan Institute for Water Supply and Sanitation (INAA) was the sole agency responsible for all aspects of service delivery and regulation. The sector has recently undergone a major transformation, with the establishment of a new legal and institutional framework which allows for the creation of distinct entities each with a specific mandate: the National Commission for Water Supply and Sanitation (CNAA) responsible for national-level sector policy and strategic planning; the newly reformed INAA now acting as a regulatory body rather than a service provider; and the Nicaraguan Water Supply and Sanitation Company (ENACAL), responsible for the supply and operation of services nationally. These reforms are part of a long-term modernization strategy adopted by GoN that will allow for increased private sector participation, particularly in the potentially profitable urban systems. One of the most significant aspects of the reforms is the separation of supply and operation of services on the one hand, and regulation on the other. While this separation is clear for the urban sector, the law governing the creation of ENACAL (No. 276, January 1998) is much more ambiguous.

The Rural Water Supply and Sanitation Sector in Nicaragua

Responsibility for the delivery of rural WS&S services falls under the mandate of ENACAL, which has a dedicated national-level directorate for rural water management (GAR) and five regional GAR offices, with differing degrees of operational autonomy. The GAR of Region VI (which includes the Departments of Matagalpa and Jinotega) has historically had the greatest latitude in decision-making, as its director has always reported directly to the national ENACAL-GAR office in Managua, whereas directors of other regions were, until very recently, subordinate to the departmental ENACAL delegates. In each region the government has financed a small Operation and Maintenance Unit (UNOM), using funds generated by the urban sector. The function of each regional UNOM is to provide long-term back-up support to help communities solve more complex technical and administrative problems, monitor water quality, and maintain a database of the status of systems.

Apart from ENACAL-GAR, with its various donor-funded programs in the regions, there are currently only a limited number of agencies engaged in the implementation of projects in the

rural WS&S sector. One of the strategic aims of ENACAL-GAR is to actively encourage the expansion of external implementation capacity for the rural WS&S sector, thereby enabling GAR staff to focus on its core functions of planning, coordination, and regulation. A summary of the main agencies involved in the sector is given in Table 2. Private companies rarely operate community-managed systems, as the sector does not generate sufficient profit margins to attract them.

TABLE 2: MAIN IMPLEMENTATION ACTORS IN RURAL WS&S, NICARAGUA

ORGANIZATION	SCOPE OF INTERVENTION	RELATIONSHIP WITH ENACAL-GAR
National NGOs	Limited numbers of community-managed RWSS projects at municipal level.	Work coordinated and regulated by regional ENACAL-GAR; adheres to GAR policy guidelines and community-based approaches.
International NGOs	Large community-managed RWSS programs at municipal and regional level, support to regional and national level initiatives.	Work coordinated and regulated by regional ENACAL-GAR; adheres to GAR policy guidelines and community-based approaches; works in partnership with ENACAL-GAR at national level.
Social Investment Emergency Fund (FISE)	Larger scale social infrastructure projects, including RWSS in concentrated rural pop., traditionally more focused on physical outputs.	Projects must be approved by ENACAL-GAR, and adhere to sector policies and approaches, but in general FISE has limited capacity to implement community-based projects.
Municipal Authority	Very limited direct implementation of RWSS projects in municipality, mainly due to financial constraints.	Increasingly involved with regional ENACAL-GAR in planning and coordination at municipal level; also becoming involved in back-up O&M support.
Ministry of Health	No direct implementation of RWSS projects; responsible for water quality and epidemiological surveillance issues.	Close coordination and information sharing with regional ENACAL-GAR; community health worker is usually member of water committee – joint activities in public health awareness, system disinfection etc.
Private Companies	Involvement limited to drilling in concentrated rural population; direct provision of hand-pump and spare parts.	Strong links with manufacturers of “rope pump” which is sector standard; ENACAL-GAR encouraging direct spare part and sales outlets.

In parallel with the modernization of state-run institutions such as INAA, the GoN has been actively pursuing the decentralization of services from central to municipal levels. This culminated in the passage of a series of modifications to the existing municipal law in 1997, placing far greater responsibility and accountability on elected municipal governments to ensure the provision of basic social services, including water supply and sanitation. This responsibility applies to both the urban population (*casco urbano*) and the population living in rural areas of the municipality. Because of the limited economic capacity of many municipal authorities they are unable to cover the costs of most capital investment projects; however, this change in the law does have significant implications for the provision of back-up support services to rural communities.

In October 1998, Central America suffered unprecedented damage from Hurricane Mitch, which left thousands dead and millions of dollars in damage to transport and social infrastructure. In Nicaragua alone some 738 rural water supply schemes were completely destroyed or seriously

damaged, along with nearly 10,000 household latrines. Over 50% of all damage to the rural WS&S sector occurred in the Departments of Matagalpa and Jinotega, which lay in the path of the storm in the north east of the country. Many of these damaged systems have been repaired or replaced by ENACAL-GAR with additional support from donor countries. However, the damage caused by the hurricane has undoubtedly set back development efforts in the region and has forced communities to expend what limited resources they may have built up merely to rehabilitate services to pre-hurricane levels.

Selection of the Case Study

The case study described in this section concerns the approach taken by ENACAL-GAR in Region VI to improve the provision of operation and maintenance (O&M) services to a growing number of communities with water supply schemes in rural areas. This particular case was selected for the following reasons:

- In the context of Nicaragua, Region VI stands out as one of the few positive examples of ENACAL-GAR working successfully to incorporate municipal government authorities in a system of service provision for water supply systems to rural communities. Although similar approaches involving municipal authorities have been applied elsewhere in the country, most notably in Esteli and Nueva Guinea, they have not been as successful or else they have relied on heavy subsidies from donor-funded programs.

- The model adopted by ENACAL-GAR in Region VI, while not totally problem-free, has succeeded in maintaining reliable O&M service for rural systems to an expanding population.

- The model was established and expanded at a time of far-reaching institutional reform in the WS&S sector generally, and has continued to function despite the devastating impacts of Hurricane Mitch on the social and economic infrastructure of this part of the country.

Background to Region VI, Matagalpa and Jinotega

Region VI contains the two administrative departments of Matagalpa and Jinotega. The region has a surface area of 18,168 km^2 representing approximately 15% of the national territory. The region has both alluvial plains and mountainous areas and extends to the border with Honduras in the north. Annual rainfall varies between more than 1200 mm in the north to as low as 800 mm in the drier southern zone. Consequently, both surface and groundwater sources are exploited in different parts of the region. In general groundwater quality is good, however the region contains one localized area with very high levels of arsenic, which has posed a serious public health risk in the past.

Like other regions of the country the ENACAL-GAR office in Region VI has received long-term financial support from a number of international donors including UNICEF, KfW, the Swiss Workers Aid (AOS) and The Netherlands Development Organization (SNV). The operating budget for the financial year 2000 is just over US$1 million, of which the GoN contributes approximately 32%. While most donors have tended to offer large-scale funding for capital investments, SNV has concentrated on institutional support, providing a series of long-term

technical advisors who have been engaged in supporting the strategy for decentralization of O&M service provision to municipal level for the last several years.

Rural Water Supply and Sanitation Coverage Levels

The rural population of Region VI is estimated at 540,000, or about 70% of the region's total population. Most rural communities tend to be fairly small, ranging from 40 to 50 people up to several hundred, but there are also a number of communities with several thousand inhabitants. To date a total of 777 community-managed systems have been built in the region, serving approximately 187,000 people, which represents a coverage level of about 35% on average. Rural sanitation coverage in the region is at about 36%[2], however this figure includes coverage for both rural concentrated and rural dispersed populations. The variation in coverage levels in the rural population for all municipalities is shown in the following table (excludes urban population, i.e.: those living in principal municipal towns):

[2] ENACAL-GAR Matagalpa-Jinotega, SINAS, 2000

TABLE 3: COVERAGE LEVELS FOR RURAL POPULATION OF MATAGALPA AND JINOTEGA DEPARTMENTS

		WATER SUPPLY		SANITATION (LATRINES)	
MUNICIPALITY	**TOTAL RURAL POPULATION**	**POP. SERVED**	**AS % OF TOTAL RURAL POP.**	**POP. SERVED**	**AS % OF TOTAL RURAL POP.**
REGION VI (TOTAL):	**539,811**	**187,357**	**35%**	**193,211**	**36%**
MATAGALPA DPT.	**299,852**	**137,154**	**46%**	**138,351**	**46%**
Matagalpa	51,614	21,839	42%	20,328	39%
Dario	29,977	23,139	77%	19,552	65%
Esquipulas	11,601	5,621	48%	5,409	47%
Matiguas	35,856	4,101	11%	6,648	19%
Muy Muy	11,769	765	7%	2,884	25%
Sebaco	10,136	8,712	86%	8,605	85%
San Dionisio	15,820	10,209	65%	11,305	71%
San Isidro	12,133	11,557	95%	9,264	76%
San Ramon	24,674	21,940	89%	23,726	96%
Terrabona	10,915	10,719	98%	7,500	69%
Rio Blanco	19,461	2,116	11%	106	1%
Tuma - La Dalia	47,055	16,031	34%	22,543	48%
Rancho Grande	18,841	405	2%	481	3%
JINOTEGA DPT	**239,959**	**50,203**	**21%**	**54,860**	**23%**
Jinotega	53,237	24,213	45%	35,139	66%
La Concordia*	6,472	3,740	58%	1,928	30%
San Rafael Nrte*	12,640	1,114	9%	815	6%
Yali*	20,016	5,711	29%	3,160	16%
Cua - Bocay	62,602	7,697	12%	6,810	11%
Pantasma	31,596	6,350	20%	5,152	16%
Wiwili	53,396	1,378	3%	1,856	3%

*Municipalities not serviced by ENACAL-GAR Region VI.
Note: The shaded municipalities have active Municipal O&M Promoters.

The socioeconomic profile of rural communities varies across the region, with those in the southern part, particularly along the main transport corridors, having better access to cash incomes, being more organized, and having previous experience with community activities. Conversely, the rural population in the east and north of the region tend to live in much more isolated areas with limited transport infrastructure and often very poor levels of government assistance. Illiteracy, health, and social problems all tend to be higher among this more isolated population. Wage-labor opportunities are limited, except during the coffee harvest in areas at higher elevations. In general the rural population in the region relies on subsistence agriculture, complemented by a small amount of cash cropping which provides only limited income. Average annual household incomes for the rural population are estimated at approximately C$7,000 to 10,000, equivalent to US$550 to 800. In reality most of this income is in the form of agricultural production for family consumption, and typically households will have a cash surplus only following the twice-yearly harvests in June and October.

Scope of Services Provided

At the national level, ENACAL-GAR has clear guidelines for the selection and type of water supply systems which are typically simple in design and use technology that is acceptable to the end-users. The principal types are either hand-dug wells or drilled boreholes with handpumps, or small piped gravity-fed schemes. Very occasionally, piped schemes with diesel or electrical pumps will be constructed, but this is only in cases where technical circumstances dictate and where communities have the capacity to operate and maintain them properly. In Region VI there are only 12 schemes with mechanised pumps out of a total of more than 770 projects. The locally-manufactured rope pump (*Bomba de Mecate*), is now the sector standard handpump due to its affordability and robust design. The normal level of service is single-point supply in the case of handpumps, or public tap-stands. However, household connections are made available if the water source and topography allow for sufficient capacity in the system and if each family is willing to pay the additional connection costs.

On-site excreta disposal for rural communities is limited to latrines of differing designs that account for localized variations in groundwater level and soil type. The most common designs are the improved traditional pit latrine and the ventilated improved pit latrine, incorporating a raised pit as necessary. In the past, certain programs have constructed various types of composting latrines; ENACAL-GAR does not promote this design, however, due to the amount of maintenance and follow-up required for proper operation and maintenance.

Management and Organization

Historically, investments provided by donor institutions for the rural WS&S sector in Nicaragua have been primarily focused on physical construction, with the understanding that communities benefiting from the schemes should carry out routine O&M work after the completion of the project. Hence the modality formally adopted by ENACAL-GAR for administration and management of rural WS&S systems is based upon the establishment of an elected Water Committee, a prerequisite for physical construction to be undertaken. Typically the committee is elected for a period of two years and has four to six members. It is usually responsible for a range of activities including general management of the system, technical oversight and repairs,

promotion of improved hygiene practices, collection of tariffs, watershed protection, and formal representation with external bodies. ENACAL-GAR has developed guidelines governing the administration and functioning of the committees.

In many instances the Water Committee can provide effective management and O&M of its own water supply system. However, there are a number of tasks that are beyond the scope or capacity of the committees, either due to technical complexity or to the need for external, or independent, intervention. In order to support the Water Committees the UNOM of the GAR has historically provided a range of services to communities across the region with a small team of mobile promoters. The extent and frequency of support varies from community to community depending on the level of internal cohesion and organization. Some committees have been able to operate with a minimum of external assistance.

Operation and maintenance of latrines is considered to be a household responsibility, therefore the UNOM promoters are not actively engaged in monitoring their use and upkeep. However, since proper O&M of latrines impacts on the general environmental health status of communities, the UNOM staff do integrate this issue into their regular activities. For example, at the request of the committee the promoter will work to motivate the adoption and proper use of latrines when a number of households within the community are not seen to be using them consistently. In cases where new families are integrated into a system, the promoter will work together with the Water Committee members to ensure that households with a new water connection also construct their own latrine.

A New Model for O&M Service Provision

Over the last 20 years, various donor-supported programs have constructed over 770 rural WS&S projects in Region VI, while the UNOM staffing has been limited to one unit head and three promoters operating from the regional headquarters in Matagalpa city. For several years this arrangement was feasible, albeit with a highly centralized management structure. However by the mid-1990's, with an ever-increasing caseload and a static level of funding, it became clear that a reassessment of long-term O&M service provision was necessary for the region. In 1996, with support from both the Swiss Workers' Aid (AOS) and the Netherlands Development Organization (SNV), the regional ENACAL-GAR office started to develop a strategy for expanding and decentralizing O&M support to rural areas to meet the increasing demands of communities in need of regular support.

The new model for O&M service provision builds on existing components of the old arrangement (the Water Committees and the Regional Promoter of UNOM), but it adds a key linking mechanism at the local level in the form of a Municipal O&M Promoter. Local representation is a critical factor not only because of the sheer size of the region, but also because of the need for a close understanding and rapport between the promoter and the communities with which they work. In this context the Municipal O&M Promoter operates as part of the municipal government, or *Alcaldía*. This arrangement is open to the risk of political interference, which is addressed at greater length below. The new system implies a change in role for the Regional UNOM Promoters from direct implementation of tasks to support and supervision. The number of staff, key tasks, and functions of each tier in the model are given in Table 4.

Establishing an Agreement with the Municipal Authorities

The ENACAL-GAR management wants to include a broad spectrum of agencies and individuals in the decision to establish this new approach to service provision at the local level. Therefore the starting point is always based on roundtable discussions involving the *Alcaldía*, the municipal-level representatives of the Health, Education, and Environment Ministries, any locally-based NGOs that may be active in the sector, and, where possible, representatives of some of the Water Committees in the municipality. In this forum ENACAL-GAR presents its concerns over constraints to provision of adequate support to communities based on the existing, centralized, model and explains the implications of the recent legal and institutional reforms. There is often a discussion relating to the social, economic, and environmental costs of poor or nonexistent O&M services. The end result is usually an agreement in principle and the signing of a *joint agreement* that sets out the roles, responsibilities, and financial obligations of each party, with ENACAL-GAR and the *Alcaldía* comprising the two principal signatories.

In the majority of agreements reached in Region VI to date, the *Alcaldía* has covered the costs of salaries, social benefits, and running costs of the Municipal O&M Promoter, with ENACAL-GAR providing a motorbike, training, and technical back-stopping. Normally the main-line ministries agree to provide specialist inputs and training; they also generally agree to coordinate their activities with the promoter at the local level. However, the economic reality of many rural areas of the region is that no single "blueprint" approach can be set up, and ENACAL-GAR recognizes that it must adopt a pragmatic, flexible approach if it is to increase service coverage in these areas. In many instances, the Municipal O&M Promoter carries out a dual function for the *Alcaldía* while visiting rural communities. In at least two instances where the *Alcaldía* has insufficient financial resources to support the promoter, other agencies have stepped in to pay the salaries (in San Dionisio an NGO, and in El Cuá-Bocay the Ministry of Health) with the promoter being seconded to the *Alcaldía*.

TABLE 4: REGION VI, O&M SUPPORT TO RURAL COMMUNITIES

	LEVEL AND SCOPE OF OPERATION	KEY TASKS AND SERVICES PROVIDED
COMMUNITY WATER COMMITTEE: President & Vice President, Health Promoter, O&M Technician, Finance, Environment	• Present in every community with a WS&S system. • Works in conjunction with Water Committee and individual households. • In some larger communities O&M technician may be a part-time paid position	• Weekly O&M tasks including: cleaning, regular maintenance, disinfection, system inspection and repair; • Tariff collection, bookkeeping and accounts; • Organizing regular committee and community meetings, fund-raising activities; • Hygiene promotion among individual households, communal work days, clean-up and vector control; • Watershed protection, nursery planting and re-forestation activities;
MUNICIPALITY MUNICIPAL O&M PROMOTER, ALCALDIA	• Currently operating in 9 municipalities, covering 318 communities (55%) of all WS&S projects in the region. • Typically one promoter has between 25 & 50 communities in territory • Answers to line manager within Alcaldía. • Training, technical supervision and backstopping provided by Regional UNOM staff.	• Regular scheduled visits to communities; • Technical back-up for emergencies or more complex repairs or maintenance tasks; • Periodic review and auditing of book-keeping and accounts, financial management training; • Water quality sampling (bacteriological) – results shared with community and Ministry of Health; • Conflict resolution and support in re-constitution of the Water Committee; • Ongoing training and orientation for committee members and users in key areas: hygiene promotion, system disinfection, O&M monitoring; • Data collection and monitoring of system, committee and administration/finance; • Acting as key interlocutor with external agencies and institutions.
REGION OR DEPARTMENT REGINAL UNOM PROMOTER, ENACAL-GAR	• Overall responsibility for back-up to all WS&S in region, 3 promoters and 1 head of unit. • Reports to Regional Director of ENACAL-GAR • Direct O&M service provision to communities in 8 municipalities. • Back-up and training support to 9 Municipal Promoters.	• As above for municipalities without Municipal Promoter; plus: • Ongoing training and monitoring visits to supervise Municipal Promoters; • Scheduled visits to Alcaldías to discuss progress at municipal level; • Collection, collation and analysis of data; • Direct intervention to support Municipal Promoter as required; • Liaison with key line ministries at municipal and regional level (Health, Education, Environment);

To date, Municipal O&M Promoters have been established in nine municipalities, providing back-up services to approximately 55% of the population with water supply systems constructed by or with the approval of ENACAL-GAR. The regional director views this as an ongoing initiative, and currently the UNOM is in discussion with five municipalities (Sebaco, San Isidro, Dario, Río Blanco, and Esquipulas) with a view to establishing new promoters.

Training and Induction of New Municipal O&M Promoters

Municipal Promoters are put through a regular training process. Once a suitable candidate has been selected and agreed upon by the main parties, there is an initial round of training and orientation by the regional UNOM staff. This classroom-based training uses the ENACAL-GAR training-of-trainers course which consists of subjects such as sustainability of projects (rules governing the functioning of the water committees), human relations and conflict resolution, community participation and gender relations, community organization, water quality, and basic environmental sanitation. The new Municipal O&M Promoter is also introduced to the standard operating procedures and the computerized reporting and information systems of UNOM and ENACAL-GAR.

In the field, a senior UNOM promoter works with the new Municipal O&M Promoter giving practical, hands-on training, including techniques for water sampling, chlorinating of water supply systems, conducting sanitary inspections of physical infrastructure, operation and maintenance of water tanks, break pressure tanks, maintenance or repair of handpumps, etc. The practical training also includes revision and checking of accounts and ledgers, revision of minutes of meetings and committee or general assembly decisions, and wherever possible, support to existing Water Committees. After a period of further field-based training and supervision, the Municipal O&M Promoter is formally accredited by ENACAL-GAR and given an identification card that shows that he is qualified to provide O&M services. In general the entire training and orientation process takes about six to nine months, depending on the aptitude of the individual.

Municipal O&M Promoters are required to report to the regional UNOM office once every month to submit reports and coordinate and prioritize activities with the regional promoters. Whenever possible, ENACAL-GAR includes every Municipal O&M Promoter in its regular training program for staff of the institution and encourages the promoters to meet together regularly to learn from one another and share common experiences and problems.

Activities of Municipal O&M Promoters

Typically a Municipal O&M Promoter serves about 30 communities; however, these communities do not all require the same level of back-up support. ENACAL-GAR and UNOM maintain a register of communities indicating the current status of the water supply system based on three key criteria: technical functioning, administration (financial health), and the organizational cohesion of the Water Committee and general community support. If the water supply scheme is considered to be functioning well in all three aspects, the Municipal O&M Promoter visits only once every six months, i.e., the minimum frequency, and takes water samples. If the system is considered to be functioning, but with some difficulties in any one area,

the promoter visits approximately every three months. If the system is in poor condition, the promoter visits once a month or more frequently as required until matters are improved. If the Municipal O&M Promoter is unable to resolve the situation by himself, he will call on one of the more experienced regional UNOM promoters for assistance. In cases where there is a serious problem (e.g., technical fault or violent conflict between members), the promoter is expected to visit the community immediately.

On average, a visit by the Municipal O&M Promoter to any given community lasts about six hours; the duration depends to a large extent on the type of problem or situation facing the community. The most important activities carried out in a visit are:

< a meeting and open discussion with the full Water Committee to go over progress and any outstanding problems;

< a review of the accounts and financial status of the system;

< water sampling and a sanitary inspection of the water system (handpump or intake, tanks, mainline, and tap-stands) and general environmental conditions in the community, i.e., surface drainage, solid waste; and

< a check on the condition of latrines, if that is flagged as an issue by the committee.

The visit may also include technical advice and assistance for on-the-spot repairs, cleaning and disinfection of systems, or conflict resolution. The Municipal O&M Promoters also carry out pre-planned activities as part of their community visits, such as helping to organize a general assembly meeting, a restructuring of the Water Committee by majority vote by all community members, or communal work days such as cleaning the intake or tree planting of the water-source.

Operating Environment

Under the standard agreements the Municipal O&M Promoter effectively works as a member of the *Alcaldía* and is supervised by a staff member with the authority to review and approve work plans and reports. In addition to this reporting structure, the promoter must pass copies of all monthly reports and the results of water quality sampling to the regional UNOM. ENACAL-GAR reserves the right to monitor the work of the promoter in the community to ensure minimum levels of attention and to see that technical standards are being met. ENACAL-GAR is also able to lobby the *Alcaldía* to ensure that the promoter is provided with adequate resources and logistical support. These relationships are not always problem-free, given the range of municipal authorities in the region. These bodies have varying financial and human resource capacities; they also have varying levels of enthusiasm for the initiative. For the majority of the *Alcaldes* (mayors), there is political value in employing a Municipal O&M Promoter, as the mayor is then able to meet the basic requirements of the electorate (rural or urban) and thus improve his chances for re-election.

Political tension runs high in rural Nicaragua; in some areas, the population is polarized between the two principal parties. In order to counter-balance some of the inevitable political interference

of the incumbent and opposition party members, ENACAL-GAR actively informs and involves a broad spectrum of communities in the process of establishing the Municipal O&M Promoter. In general ENACAL-GAR has long-standing and positive relations with rural communities based on the process of constructing the original systems. ENECAL-GAR uses that historic relationship to reinforce the message that the work of the Municipal O&M Promoter is nonpolitical in nature. Despite these efforts, one of negative aspects most frequently cited by community members is that the Municipal O&M Promoter is seen as a mechanism of control by the *Alcaldía* and that the introduction of the position is an attempt to take over management of the systems and income generated by the tariff.[3]

Involvement of the Private Sector

As mentioned earlier, the private sector has had minimal involvement in rural WS&S service provision to date, its involvement being limited to a few instances of borehole drilling and pump installation in some of the larger rural communities. In the last two years ENACAL-GAR made attempts to stock established private shops with spare parts for the Rope Pump, which is produced in-country, including lengths of rope, special washers that are attached to the rope and lift short columns of water up the rising main, and concrete foot-valves. The pilot initiative did not succeed because the shopkeepers believed sales would not be sufficiently profitable to warrant the financial risks of stocking spare parts. In reality demand is so high that the regional UNOM office in Matagalpa continues to operate a revolving fund for the purchase of parts from the factory. These parts are then sold at cost to individuals from community Water Committees who come in to Matagalpa. An earlier initiative to privatize the sale of chlorine powder in municipalities was derailed by Hurricane Mitch. Following the disaster, huge amounts of chlorine were made freely available to rural communities through a number of government agencies and NGOs, thereby effectively destroying the market.

Financing and Cost Recovery

For many years all capital investment costs for WS&S projects in rural Nicaragua were met by external funding from international donors. Given that history, macro-level planning, budgetary decisions, and donor relations have been handled by the central GAR office in Managua. The GoN allocates funds to ENACAL from the annual budget to meet its core management and administrative costs; all other staff are funded by program costs. Communities have traditionally contributed to construction costs by providing unskilled labor and locally available construction materials only. In 1998, ENACAL-GAR introduced a pilot project in which communities were required to pay a portion of capital investment costs in cash. This amount varied, with a set contribution for boreholes to cover part of the drilling costs and a proportion of the cost of a piped scheme, amounting to up to 20% of the total budget. Initial results of the pilot were remarkably successful, indicating that residents in rural areas were willing and able to pay for improved WS&S services. After the massive destruction caused by Hurricane Mitch in the region, the community contribution was waived for all those projects requiring repair or re-

[3] Interviews with community and Water Committee members in the municipalities of San Ramón, San Dionisio, La Dalia, and Tearrabona, May 2000

construction. However, for the construction of new systems, the community contribution has been re-established as standard policy.

Financing of Recurrent and Capital Costs

Replacement and rehabilitation costs (other than for the type of massive destruction caused by Hurricane Mitch), including the replacement of pumps, major repairs to piped networks, or expansion of services to new households, are the responsibility of the community. ENACAL-GAR will provide technical assistance and guidance, but the community must either raise the money itself or approach local government or other potential donors for funding.

For over ten years INAA, and subsequently ENACAL, has based its approach to WS&S provision on active community participation and management, which includes responsibility for paying recurrent costs. A clear understanding and agreement on this underlying principle is one of the prerequisites for signing of the community contract during the initial stages of project formulation.

For each individual system, ENACAL-GAR works together with the community to agree on a tariff range, which accounts for the type of system to be installed, number of users, seasonal fluctuation in cash income, and special compensation for more vulnerable households. Typically, the O&M tariff ranges from C$1 to 2 per household per month for a small handpump system, to C$5 to 10 per month for a more complex, larger piped scheme. The quota is designed to cover all maintenance costs and includes an additional sum that is, in theory, used to build up a reserve fund for extraordinary costs (e.g., replacement of capital equipment). As with similar programs in subsistence rural economies, tariff collection can be problematic and can cause serious conflicts within the community. On the other hand, there are many examples in the region of well-organized and motivated communities that have accumulated significant funds and have even established dedicated bank accounts for their system maintenance.

Financing of the Municipal O&M Promoters

Under the new system of decentralized service provision, responsibility for paying salaries and operating costs of the Municipal O&M Promoter generally falls to the *Alcaldía.* Financing of personnel is probably the single most critical constraint facing the system of locally-based service providers. This point is illustrated by individuals on all sides of the system , promoters and *Alcaldías* alike, complaining that it is sometimes not possible to meet salary costs on time or that there is insufficient funding from municipal budgets to cover transport costs. However, these constraints must be seen in the wider national context, where central government has devolved increasing responsibilities to the municipal level in many different sectors, without a corresponding increase in municipal budgetary allocation.

At present, in general this model for decentralization is working, albeit with ENACAL-GAR intervening with some of the *Alcaldías* to ensure compliance with the financial arrangements that are part of the agreement. For the longer term, ENACAL-GAR is investigating ways of sharing some of the costs of the Municipal O&M Promoters. Such an arrangement might include the semi-privatization of O&M service provision, whereby communities would be asked to pay for a portion of the costs, including those specifically related to water-quality testing. The director of

Region VI's ENACAL-GAR believes that this will be possible, especially where communities see the correlation between regular maintenance and the continuity of supply and quality of water provided. However, this transition will be a difficult one as long as the promoter is seen to be linked with the *Alcaldía*; some communities will view a shift in financial responsibility as a form of indirect taxation on their water supply systems.

Legal and Regulatory Framework

The decision by ENACAL-GAR in Region VI to develop the decentralization strategy, with a shift in emphasis toward a greater regulatory role, was made on the basis of the recent institutional reforms of the WS&S sector nationally. According to the new institutional arrangements, INAA is now the organization legally mandated with regulation of *both* the urban and rural sectors. The law treats the urban sector in great detail, while the regulatory framework for the rural sector is much more ambiguous. Because of very limited financial and human resources, in practice INAA is almost exclusively concerned with regulation of urban systems. In the absence of any further refinement of the law, it is generally assumed that ENACAL-GAR will continue to function as both service provider and regulator for the rural subsector. In this capacity, the ENACAL-GAR office of Region VI has pushed forward its strategy to decentralize the provision of O&M services to the municipal level, based on its power under the Law of Creation of ENACAL (No. 276, February 1998). The lack of clarity and definition of the law with regard to the rural sector means that ENACAL-GAR is the government agency with *de facto* responsibility for both service provision and regulation.

The second major legal and regulatory basis for the new model of decentralization of O&M services is the recent modifications to the Municipal Law (nos. 40 and 261). This newly modified law provides a legal pretext for involvement of the municipal authority in guaranteeing the provision of adequate social services to the resident population. Under this law the *Alcaldía* actually has the authority to administer water supply systems in rural communities located within the municipality, if it can prove that the systems are being poorly managed *and in addition* can demonstrate that it has the technical, financial, and administrative capacity to run them itself. In practice, there has never been a case of an *Alcaldía* attempting to take over administration of a community-managed scheme. Given the weak financial and technical capacity of the vast majority of the *Alcaldías*, this legal point has become a technicality. The regional ENACAL-GAR has used a more general interpretation of this law to encourage *Alcaldías* in the region to take on progressively more responsibility for back-up service to rural WS&S projects completed in their territory. In practice most communities first approach the *Alcaldía* for assistance when they experience problems with their water supply system.

Under Nicaraguan law, ownership of the physical infrastructure of the water supply system can be transferred from the state to the community only when the particular community has acquired recognized legal status, or *Personería Jurídica*. Currently, attaining this status is possible only through formation of an Association or Cooperative dedicated to the administration of the water supply system. When a community has ownership of its water system, there is greater willingness to invest in system maintenance. In practice, ENACAL-GAR has always made a symbolic transfer of the system to the community, witnessed by the municipal authorities and police, making the community *de facto* owner of its system.

A pilot project was launched in Region VI in 1997, with funding from AOS, to strengthen sustainable community management of schemes through the formation of a Municipal Association of Water Committees. This has been an iterative and learning process for both the communities and the institution, and to date one association has been formed in the municipality of San Dionisio, and another is being formed in La Dalia. Using the legal title of the municipality-wide association, each member community is able to register formal ownership of its water supply system. However, the process of forming an association is lengthy and convoluted; and in the case of rural co-operatives there are political sensitivities involved because of Nicaragua's recent history. In recognition of these problems, a new law is being formulated, entitled The Law of Citizen's Participation, which establishes a much quicker and less bureaucratic mechanism for granting of *Personería Jurídica* to community organizations with a not-for-profit, social objective.

Environment and Health

Issues relating to health and environment are included as part of the initial orientation and ongoing training of the Municipal O&M Promoter. The personnel of the UNOM use the training curriculum and materials of the regular ENACAL-GAR program relating to hygiene education, behavior change, sanitation, vector control, and protection of the watershed or direct source of the water system. Municipal O&M Promoters are also included in the training program of the regular ENACAL-GAR staff and participate in relevant training workshops with other line ministries, for example, with the Ministry of Health staff in workshops on standardizing water quality testing and disinfection methods. In turn, the Municipal O&M Promoters are expected to address these issues as part of their regular ongoing activities when visiting rural communities. As mentioned above, the Municipal O&M Promoters (like their regional colleagues from UNOM) are expected to address sanitation issues when visiting their communities. This is part of the sanitary inspection, which includes an assessment of general conditions in the community, risk of source water contamination from chemical products used in agricultural, surface drainage, solid waste management, and control of animals in and around houses. Where there are problems with the use or condition of household latrines, the promoters are expected to motivate users to improve their practices or give technical advice concerning repair or reconstruction.

Whenever possible, promoters are encouraged to schedule their visits to coincide with the visit of Ministry of Health (MOH) staff in order to coordinate efforts and reinforce health messages. In general there is good cooperation between ENACAL-GAR and MOH staff in the region, and last year a Memorandum of Understanding was signed between the two institutions to facilitate information sharing, promote coordination and planning, and share training and transport resources. The environment ministry in Nicaragua (MARENA) is rather weak institutionally and has more limited human resources than the MOH. Therefore, coordination at the municipal level is more problematic.

Although broad-based training in health and environment is part of the overall job preparation for promoters, and despite the specifics of the job description, health promotion is often given short shrift in the actual performance of the day-by-day job. The general perception of communities and promoters is that the promoters' job is essentially a technical one in which they give physical interventions higher priority than software issues, such as health and hygiene promotion. It should be added that this weakness is not confined to the Municipal Promoters; it is

an issue for the UNOM regional promoters and even some of the regular ENACAL-GAR program staff as well. There has been an ongoing debate within the institution about changing the allocation of resources to increase emphasis on software issues. The ENACAL-GAR management is fully committed to integrating health and environment as part of the O&M back-up service, however, as with many such initiatives, the success of the approach relies very much on the attitude of the individuals concerned. At present, there is no systematic monitoring of health or behavior indicators incorporated into the work of the Municipal O&M Promoter. This is an obvious weakness within the program which is partly the result of lack of resources; it is also affected by attitudes about the importance (or lesser importance) of non-technical interventions.

Performance

One of the key functions of the regional UNOM is to monitor the status of rural water supply systems and to maintain a database to inform decisions about which system or community may require priority attention. As mentioned in Section 3.4, the Municipal O&M Promoters use that system to report on the three principal aspects of the water supply project: organization, administration, and technical condition. Various indicators are measured within each category and an overall ranking of "above average," "acceptable," or "below average" is determined in each case. The subindicators used to determine these rankings are given in Table 5. ENACAL-GAR does not include any measure or estimation of the ability of the community to expand its system to meet increased demand resulting from population growth. This monitoring system relies on the objective opinion of all promoters concerned in reporting on the overall status of the community water supply system. The final report which is entered into the centralized databank in the regional ENACAL-GAR office indicates only the overall ranking of the system, as well as a score for risk of contamination which combines the result of the sanitary inspection and the water quality test results (fecal coliform count per 100 ml).

TABLE 5: UNOM COMMUNITY MONITORING AND RANKING SYSTEM

	ABOVE AVERAGE	ACCEPTABLE	BELOW AVERAGE
ORGANIZATION	• Committee functioning with all members active; • Decisions made in previous month respected and adhered to by community; • Meetings and decisions fully recorded; • Committee functions without external support.	• Committee functioning, but incomplete; • Decisions made by Committee in previous month not universally agreed on nor respected; • Committee functions, but with some need for external support.	• Committee not functioning; • No decisions taken in previous month; • Organization impossible without external support.

	ABOVE AVERAGE	ACCEPTABLE	BELOW AVERAGE
ADMINISTRATION	• Tariff system operable with 90% of h/h contributing; • Accounting ledgers balanced with monthly financial report; • Income covers 100% of running and repair costs of system plus balance.	• Tariff system operable, but with less than 90% h/h contributing; • Accounting ledgers incomplete and reporting period is more than 1 month; • Income covers 100% of running costs only.	• Tariff system does not function; • Accounting ledgers incomplete and no financial report; • Income does not cover full running costs.
TECHNICAL	• Physical system fully functional, out of service < 1 day in previous month; • Disinfection on regular basis; • Water supply 24 hours/day.	• System partially functional, out of service 1-3 days in previous month; • Sporadic disinfection; • Water supply at least 8 hours/day.	• System functions poorly, out of service > 3 days in previous month; • No disinfection; • Water supply < 8 hours per day.

Perhaps the most problematic performance indicator for rural communities in the region is the level of non-payment of tariff. The amount due but not paid is recorded (in theory) by the treasurer of the Water Committee in the accounting ledger, which is reviewed by the Municipal O&M Promoter on each visit to the community. The reporting for this criteria to the regional UNOM is based on figures recorded at the latest visit to the community. Results from monitoring reports in the nine municipalities with Municipal O&M Promoters indicate that the current status of the 300 water supply systems under their care is acceptable or above average in 95% of cases for all three categories of performance[4]. The consolidated results are shown in the table below.

TABLE 6: CONSOLIDATED MONITORING RESULTS (San Dionisio, La Dalia, San Ramón, El Cuá-Bocay, Santa Maria de Pantasma, Jinotega, Muy Muy, Matiguas, Terrabona)

	RANKING OF COMMUNITY WATER SUPPLY SYSTEM			
		ABOVE AVERAGE	ACCEPTABLE	BELOW AVERAGE
ORGANIZATION	No.	211	75	14
	%	70.4	25.0	4.6
ADMINISTRATION		202	83	15
	%	67.4	27.6	5.0
TECHNICAL	No.	204	85	11
	%	68.0	28.4	3.6

While these results are comparable with the performance of systems attended to by the Regional UNOM Promoters, they may appear to be recording a disproportionate number of systems with above average performance. There are a number of reasons for this as follows:

[4] UNOM Monitoring Results, ENACAL-GAR, Matagalpa – Jinotega, May-June 2000

- The majority of the systems in the municipalities of Santa Maria de Pantasma, Muy Muy, Matiguas and Terrabona have been constructed relatively recently (within the last 12 to 36 months);

- At least half of the systems in the nine municipalities are in small communities with schemes based on drilled boreholes and using the Bomba de Mecate hand-pump – this type of system tends to present many fewer problems (in all three categories) than the larger, more complex systems; and

- Systems which no longer provide any type of water supply to a community, but which may be under consideration for rehabilitation, are not recorded in the system, thereby giving a relative weighting to the categories of acceptable and above average.

Factors That Contributed to Success

The impetus for change in Region VI originally came from a very practical dilemma: increased demand for back-up service combined with limited human and financial resources. Starting in 1996, the management of ENACAL-GAR established a dialogue with both municipal authorities and community representatives in the region to explore and refine the possibilities for decentralized service provision. This process was undertaken with an understanding of the anticipated legal and institutional reforms that were already underway; it culminated in the passage of new laws in 1997 and 1998. The network of Municipal O&M Promoters is the result, now covering approximately 55% of rural communities with WS&S projects in the region. The system is far from problem-free and requires consistent attention and follow-up by regional ENACAL-GAR staff; however, it has succeeded in maintaining the frequency and standards of service provision to a growing population. It has also succeeded in creating and increasing a locally-based capacity in WS&S within the municipalities. It is possible to identify a number of factors that contributed to the success of this model in the region.

- **Pro-active Management:** The director of the regional GAR office and head of the UNOM have been instrumental in initiating change before reaching a crisis point in terms of institutional carrying capacity. They were realistic in their appraisal of the existing constraints and also had the vision to anticipate, and work within, the reform process taking place in the WS&S sector nationally and the broader framework of decentralization of power from central to municipal level;

- **Reputation of ENACAL-GAR:** The longstanding and very positive reputation of the institution in the region should not be underestimated as a factor in the success of establishing this model. The Matagalpa-Jinotega region suffered heavily during the protracted civil war in the 1980s; ENACAL-GAR was one of the few government agencies that continued to operate in remote and insecure areas during that time. Many of the individual staff members have vast experience of the region and are very well known by the local population, a crucial factor in building confidence on all sides.

- **Donor Assistance:** The financial and technical assistance provided by donors was instrumental in focusing efforts on this important initiative. With a large program in the region, management time and resources to concentrate on this type of strategic, non-

operational activity are limited. The continued financial support of AOS and UNICEF and the presence of a dedicated policy advisor from SNV were all important supportive factors.

- **Flexible Approach:** In many ways the application of this model has been an iterative process which has had to account for varied circumstances from one municipality to the next. In a politicized and resource-scarce working environment such as rural Nicaragua, the success or failure of a theoretical model can be determined to a great extent by "real world" constraints. Therefore, the flexible and pragmatic approach adopted by ENACAL-GAR has been a key factor in its successful expansion; the program probably would not have been as successful if a more rigid or "blueprint" style approach had been adopted in the first instance.

- **Receptiveness of the Municipal Governments:** While the motivation for becoming involved in this initiative may be largely political, the generally positive and open response of the various municipal authorities has been a key to success. This is true both in terms of paying the promoter, and also in providing logistical and office support, a working space and acceptance of the O&M Promoter as one of the municipal government team.

- **Institutional Transition and Legal Reform:** The fact that the WS&S sector as a whole was undergoing a period of fundamental transition was an important factor in overcoming inertia about decentralizing service provision. This was just as important in overcoming internal resistance to change as it was in putting the argument forward with external stakeholders. The modification of the Municipal Law and the open-ended interpretation of the role of ENACAL-GAR vis-a-vis regulation of the rural sector were both key factors in establishing the legal and institutional basis for the model.

Prospects For Long-term Sustainability and Replicability

As mentioned above, this approach to maintaining and expanding O&M service provision at the local level is by no means a perfect system, and faces a number of difficulties which threaten its performance and sustainability in the long term. Perhaps the greatest problem, and certainly the most difficult to quantify, is the underlying perception among the population that regular, preventive maintenance of their system is not a value-for-money investment. For the most part rural Nicaragua is desperately poor; surplus (cash) income is extremely limited at the household or community level. Indeed, the same is true for most municipal authorities in the region, excepting one or two where there is large-scale commercial coffee production. Despite the best efforts to motivate stakeholders at all levels, there is a limit to how far people are prepared to invest scarce resources.

Sustainability of the Model in Region VI of Nicaragua

The ENACAL-GAR office in Region VI continues to receive technical assistance form SNV but at a lower level of effort than previously (40% time), and the longer-term financial support from AOS was finalized two years ago. UNICEF continues to be open to providing limited and indirect financial support to the initiative; for example, by allowing older motorbikes from operational programs to be donated for use by the Municipal O&M Promoters. It is clear that the donor support to date has already established the institutional capacity within the GAR office to continue maintaining the current agreements and expanding the system to include new

municipalities. However, the longer term performance and sustainability of the model in Region VI is likely to be affected principally by factors, listed below.

- **Financial Constraints:** The modified Municipal Law places greater responsibility for guaranteeing service delivery on the municipal authority, without a corresponding increase in the proportion of central government funding allocated to the municipalities. Until this situation is adequately redressed the imbalance will obviously continue to result in severe constraints at municipal level to pay for an O&M Promoter. Experience shows that with an absolute short-fall in available funds, rural WS&S is often a relatively low priority. For the rural communities themselves, limited economic opportunity will continue to act as a brake on the amount of investment they are able to make in their water supply system.

- **Political Interference:** The model relies heavily on the municipal authority to support the decentralization of services, with ENACAL-GAR operating as the technical and regulatory body. Inevitably, certain of the municipal leaders, or *Alcaldes*, will view the provision of services as a means of favoring one group in his or her constituency over another. Conversely, the same community members may see the involvement of the *Alcaldía*, under any circumstances, as a threat to the autonomy of their system. Until now, ENACAL-GAR has been able to use its good standing to act as an independent broker in disputes of this nature. However, in the long term, the involvement of the *Alcaldía* may effectively marginalize those communities that support the political opposition.

- **Legal Transfer of Title:** Until a relatively quick and straight-forward mechanism is established for communities to obtain legal status (*Personería Jurídica*), the final transfer of ownership of the system will be the exception rather than the rule. This factor is a strong psychological determinant in the extent to which communities are likely to invest in the maintenance of their water supply system and to pay for O&M services in the long term.

Replicability of the Model in Other Regions of Nicaragua or Elsewhere

As mentioned in the introduction, there are other examples of regional ENACAL-GAR offices in Nicaragua trying to involve municipal authorities in post-project support. These have not proved to be anywhere near as successful as in Region VI, nor have they been adopted in such a systematic way or on such a wide scale. There are a number of important reasons why this may not have been the case; some relate to conditions or interventions that can be controlled by institutions (either by national government ministries, municipal governments, or international donors), while others are much more subjective and are tied to the general interest and motivation of stakeholders at all levels.

On the basis of the experiences in Region VI, the factors or conditions that are important for replication of this model are as follows:

National or Subnational Level:

- Donor interest (national government or international agency) in providing the relatively modest, but essential nonoperational funding to allow for the model to function. This

includes hard-to-quantify costs relating to such inputs as management time, training, transport, and technical assistance where necessary.

- The existence of a transparent legislative framework and policy for the decentralization of social service provision to local or municipal level, *combined with* the corresponding and adequate provision of financial resources allocated from central government budgets.

- A competent and credible government institution responsible for regulation and technical standards for the WS&S sector, with a clear policy supportive of community management and administration of rural water supply systems.

- The presence of senior government institution representative(s) at the regional (subnational) level, able to maintain a more or less permanent dialogue with municipal government officials and with other key departments, i.e., health, education, and social action.

- A (small) dedicated group of more experienced and better-equipped staff able to provide supervision, monitoring and technical back-stopping to the municipal-level O&M promoters.

Municipal Level:

- Political imperative and willingness on the part of the municipal government sufficient to guarantee regular and sustained payment of salaries to the promoters, with social benefits and the provision of adequate working conditions.

- A reliable means of transport (usually a motorbike) for the Municipal Promoter and the ability to dedicate a sufficient amount of time to communities without being multi-tasked and stretched too thin by other assignments, by the municipal authorities.

- Clear communication and a minimum degree of trust established between the municipal government and the rural population benefiting from WS&S systems and the services provided by the Municipal O&M Promoter.

- The organization of communities into legally recognized bodies; formal transfer of title of the land and physical infrastructure of the systems from the implementing agency to the communities themselves.

The SANAA Technician in Operation and Maintenance Program in Honduras

Andrew Trevett

This case study documents a model for providing backup support to community-based rural water supply and sanitation systems in Honduras. The program was launched as a pilot by SANAA, the National Water Supply and Sewerage Company, from 1993 to 1995 as a pilot in the department of Atlantida and, based on the success of the program, was extended to the national level in 1995. Honduras has a rural population of 3,188,000, which represents 53% of the total population. The program is truly national in scale, covering 4,023 rural water systems and serving over 2 million people.

The model is based on the Circuit Rider concept used in the United States by the National Rural Water Association. It was adapted in Honduras and renamed the Technician in Operation and Maintenance (TOM). The TOM is a mobile technician who provides support to a fixed number of communities, visiting them regularly. TOMs are employees of SANAA and work from regional offices that have substantial authority to make decisions. There are currently 86 TOMS in six regional offices. The TOM program does not have any formal relationship with other government agencies including municipalities. Despite the devastation caused by Hurricane Mitch in 1998, the program has continued to make good progress in its assistance to communities.

The case study demonstrates that a focused effort to provide backup support to rural communities can make a significant difference in the sustainability of the systems. To date only 10% of the systems under SANAA's jurisdiction are not functioning at all and require assistance well beyond what the TOM can do. The case study explains in detail the elements of the program and the factors that contributed to its success.

Background and Context

Until the early 1990s, institutions involved in the development of rural water supply in Honduras concentrated their efforts on increasing access to drinking water. Training in such areas as operation, maintenance, and sanitation was provided only during system construction. Many systems were going out of commission far sooner than their anticipated design life. In 1992, the National Water Supply and Sewerage Company (SANAA) carried out a study on the operation and maintenance (O&M) of rural water systems. A number of common problems were identified, for example:

< Community water boards were not meeting on a regular basis.

< The monthly tariff, if collected, was inadequate to cover routine maintenance.

< The community had not designated an operator to be responsible for upkeep.

< Water systems were not being chlorinated.

As a result of this study a pilot project, designed with significant USAID input, was tested in the department of Atlantida from 1993 to 1995. The Circuit Rider concept of the U.S. National Rural Water Association (NRWA) was adapted for Honduran conditions and named the Technician in Operation and Maintenance (TOM). The Circuit Rider is a mobile technician who is responsible for providing maintenance to a set number of member water systems in their state. The term "Circuit" refers to a set of communities that are visited on at least a quarterly basis or more often if necessary. Similarly, the TOM program provides technical assistance and advice to rural community water boards about managing and maintaining their water systems. The TOMs make regular visits to communities offering both technical and administrative advice through informal and hands-on training. The pilot project was judged a success, and in September 1995 SANAA launched the TOM program at a national level. The program operates out of SANAA's six regional offices and two sub-regional offices, with funding and management support provided by USAID.

Honduras forms part of the Central American isthmus, sharing borders with Guatemala, El Salvador, and Nicaragua. It is a mountainous country—three-quarters of the land has a gradient of 30 or more—with an abundance of water resources and 19 major catchments. The national territory extends to some 112,492 km^2 divided into 18 departments containing 297 municipalities, 3,730 villages, and 27,764 hamlets. Total population is currently estimated at six million[5], of which approximately 53% live in rural areas.

Table 1: Key Socioeconomic Indicators

Indicator	Data (year of data)
GNP per capita	US$ 722 (1995)
External debt	US$ 4,343.5 million
Rate of inflation	29.5%
Literacy: National Rural	77.2% (1994) 71%
Infant mortality???	42 per 1000 live births
No.1 cause of infant mortality	Acute respiratory infection 23% (1996)
No.2 cause	Diarrhea 21%
Life expectancy: Urban Rural	Men: 68 years; Women: 71.2 years (1997) Men: 64.4 years; Women: 67.7 years
Human Development Index	116 out of 175 Countries

Immediately before the devastation caused by Hurricane Mitch in October 1998, piped water coverage with household connections in rural Honduras[6] was approximately 63.2% (see Table 2). The corresponding access to sanitation facilities (latrines) was estimated at 49.5%. Upwards of 1,600 piped water systems, of the total 4,166 systems, were damaged as a result of the

[5] The most recent population census was carried out in 1988.
[6] The official definition of a rural community is one with a population of 2,000 or less.

hurricane. In addition, an unknown but substantial number of community wells and household latrines were also damaged.

Table 2: Rural Water and Sanitation Coverage in Honduras

Type of Water Supply	Population Served	% of rural pop.	Sanitation System	Population Served	% of rural pop.
Piped service with household connection	2,014,816	63.2%	Pour-flush latrine	615,284	19.3%
Piped service with public tap stand	207,220	6.5%	Simple pit latrine	962,776	30.2%
Public well with handpump	127,520	4.0%	Without sanitation	1,609,940	50.5%
Public well without handpump	140,272	4.4%			
Purchased from tanker truck or similar	19,128	0.6%			
Use of unprotected sources	679,044	21.35%			
Total rural population	3,188,000			3,188,000	

During the early 1990s Honduras entered a phase of structural adjustment, similar to that of other countries in the region. The decision to modernize the state structures included SANAA, which began to put more emphasis on service operation and administration rather than extending coverage. The Municipal Law passed in 1992 transferred certain powers and authority to local governments, and the municipalities began to request that SANAA transfer the administration of sanitary services. SANAA resisted this shift for a number of reasons:

< SANAA would have reduced responsibility and importance.

< Transfer of the administrative power required a government decree.

< More than 200 municipalities, described as semi-urban, were not viewed as having the technical capacity to administer the services.

In 1994 a major change occurred in SANAA's administrative staff, with the incorporation of economists and administrators in place of engineers. The new administration introduced a commercial outlook to the institution, partly because SANAA was no longer permitted to negotiate funding that would increase the external debt. SANAA was limited to its own resources or donated funds. Between 1994 and 1998, USAID provided virtually all of the external funding. This period coincided with a significant transfer of authority to the regional offices and the beginning of a more commercial approach to service delivery. Regional managers received training in business administration with the aim of making the urban water and sanitation systems financially viable. In 1997, the results of the restructuring were evident as SANAA was no longer in deficit. Since 1998, SANAA has renewed its emphasis on technical administration but has retained the commercial changes in service operation.

SANAA's current rural water and sanitation strategy is based on a permanent relationship with the communities and, specifically with the water boards. During the construction phase of new or

rehabilitated systems, the SANAA Technician in Water and Sanitation (TAS) provides initial training to the community and water board. This training covers system operation, administration, maintenance, protection of the micro-watershed, and basic hygiene and sanitation. Towards the end of the construction process, the TAS introduces the community to the TOM responsible for O&M in that district.

The water and sanitation sector in Honduras is integrated by a diversity of state institutions, international organizations, and NGOs. It is currently organized in the following manner:

The **sector leader** is the Ministry of Health (MOH), charged with responsibility for sector planning, establishing policy (including water quality), standardizing construction and operation practices, and financial planning. However, some observers point out that in reality SANAA has been responsible for many of these functions.

Regulation is the responsibility of CONAPA (National Commission for Water and Sanitation). CONAPA is a decentralized body within the MOH but it appears to be largely ineffective because of the lack of adequate legal authority and definition.

Implementation of both urban and rural projects is carried out at the state level by SANAA and the MOH. It is expected, however, that pending legislation will soon end this aspect of MOH responsibility. A substantial number of new projects are being built by NGOs, the vast majority of which are destined for rural communities, though some peri-urban development is also under way. The most active NGOs in the water and sanitation sector are CARE, Catholic Relief Service (CRS), Save the Children Honduras (ASCH), and Aqua Para el Pueblo. The private commercial sector also develops urban and rural systems with financing provided by FHIS (Honduran Social Investment Fund). The municipalities implement a few projects as well but are mainly concerned with developing sewerage systems for the municipality itself. Despite all these specially funded projects, the majority of new systems being built (urban and rural) are constructed by the state, principally through SANAA.

Coordination of the sector has been the role of the "*Grupo Colaborativo*", a national steering committee. The organization was formed unofficially in the late 1980s and was recognized by presidential decree in 1994. It consists of a 12-member executive committee chaired by the MOH, and has equal representation by the public sector, international organizations, and private development organizations. A further 135 institutions are associated with the *Grupo Colaborativo,* whose main objectives are to—

< Support the MOH in the coordination of inter-institutional activities in the water and sanitation sector;

< Contribute to the elaboration of a national plan for water and sanitation; and

< Work towards the achievement of the aims established for water and sanitation, thus improving the sanitary conditions in Honduras.

Operation and Maintenance of water and sanitation systems, whether urban or rural, is essentially the responsibility of the system operators. Currently, there are three main organization types that administer these services:

- The urban division of SANAA administers the water systems of the 39 principal cities, including Tegucigalpa but excluding San Pedro Sula and Puerto Cortes (respectively the second city in importance and the main port). Total population served is approximately 1,800,000.

- The municipalities administer 169 water systems, the majority of which correspond to the municipal water systems themselves. Total population served is around 1,481,821.

- The community water boards in rural areas manage 3,958 water systems, serving a total population of some 1,169,184. SANAA provides operation and maintenance support to communities with piped water systems through the TOM program. For communities dependent on wells fitted with handpumps, the MOH is nominally responsible for their sanitary condition.

Sector Financing is provided from a wide variety of national and international sources, the most important being:

- The central government national budget allocated to MOH and SANAA.

- International credit such as the World Bank, Inter-American Development Bank (IDB), and KfW (German development bank), channelled through FHIS.

- International development organizations, such as UNICEF, USAID, European Union, and Swiss Development Cooperation (SDC) among others. This funding is channelled either through state institutions or NGOs.

The law governing the water and sanitation sector is currently undergoing review, and the new "Law for the Institutional Framework for the Water and Sanitation Sector" is expected to be passed by Congress later this year. The main objectives of the law are to:

- Improve service efficiency

- Increase service coverage

- Ensure that current service levels are sustainable

- Generate financial sufficiency for operation and maintenance

- Redefine sector planning and organization.

Although the main structures in the sector will remain, responsibilities will be reorganized and better defined. The most significant of these changes will include the following:

The **MOH** will continue to be the lead agency. Its principal responsibility remains the formulation of national water and sanitation policy. It will also establish appropriate strategies, objectives, regulations, and standards that will guide the operation of water and sanitation services according to the Health Code.

A new **regulatory commission** (yet to be named) will have legal authority to enforce regulations and technical standards. It will oversee and advise on the granting of concessions for system operation. The commission will continue to be a decentralised entity within the MOH.

SANAA will cease to be a service operator; systems it currently operates will be transferred to municipal ownership and management. SANAA will be responsible for developing rural water supply, including the training of water boards for the operation, administration, and maintenance of their systems. SANAA will establish norms for the technical design, construction, and operation of water and sewerage systems, non-piped sewerage systems, and domestic and industrial wastewater treatment.

Municipalities may choose to operate water and sanitation systems directly or offer a concession to a private or public organization. On request from municipalities or user organizations SANAA can provide technical assistance for the design, construction or operation of water utilities.

The Framework Law will be followed by a complementary "Law of Water Resources," which is currently being drafted. It is intended to provide clear guidelines on responsibilities for protection of watersheds, groundwater extraction, and surface water management.

Scope of Services Provided

Honduras has a wealth of spring and stream water sources which are ideal for gravity-fed systems. Implementing agencies and communities clearly prefer to build gravity-fed piped systems with household connections. Such systems have definite advantages over other systems: lower capital cost, technically simple to operate and maintain, low cost of operation and maintenance, and, frequently, 24-hour service. It is not always possible to build gravity-fed systems, however; other systems commonly used in rural areas include:

< Combined pumped/gravity-fed systems (electric, gasoline, or diesel) with piped distribution to households and/or standpipe connections.

< Handpumps on boreholes or hand-excavated wells.

The choice of sanitation technology in rural communities is limited to either the pour-flush or simple pit latrine, depending on water availability. Although implementing agencies usually provide training in the use and upkeep of latrines, maintenance is left entirely up to the householder because of individual ownership.

The TOM program offers backup O&M support to all rural communities that have piped water systems with household connections. The program is not limited to systems built by SANAA, and consequently a substantial proportion of the rural population receives support. Specifically, the TOM program covers approximately 4,023 rural water systems (gravity-fed and combined pumped-gravity systems), serving over 2 million people (see Table 2). Other water system types, such as handpumps or standpipes, are excluded partly because the program concept was designed for systems which provided individual household service and attendant responsibility for payment. SANAA believes that a significantly different approach for backup support is needed for systems that depend more on collective responsibility. A further reason is that with very few

exceptions, SANAA has only built water systems with household connections. Thus, it is argued that its institutional competence does not extend to other types of water system. Responsibility for these other types of water systems is nominally that of the MOH.

In Honduras there are relatively few technical issues that affect water system design and construction. Probably the most challenging problem is that of deforestation which is occurring at the rate of 108,000 hectares per year. It has been estimated that the country could become completely deforested in 25 years. The loss of tree cover has led to a deterioration of surface and groundwater sources in terms of flow rates and quality.

The most significant single event affecting water and sanitation services in recent years was the destruction caused by Hurricane Mitch in October/November 1998. Substantial damage was done in both rural and urban areas to virtually all categories of infrastructure: water and sanitation systems, schools, health centers, housing, roads, electricity, and telephone services. The cost of reconstruction was estimated by the World Bank to be in the region of US$ 2 billion. Water and sanitation coverage in rural areas is still estimated to be several percentage points below pre-Mitch levels; by the end of 2002, it is expected that this ground will be regained.

TOM Program Management and Organization

The vast majority of rural water systems are managed by community water boards, which are usually the product of institutional involvement during system construction. Typically they have between five and seven members and are elected by the community in a general meeting for two-year terms. Although most institutions encourage communities to aim for and equal number of men and women, this rarely happens and water boards are usually dominated by men. The water board either handles system operation itself, or it may contract a community member to work as system operator. The decision to contract an operator depends on the size of the community, the level of community organization and wealth, the type or complexity of the system, and which institution partnered with the community to develop the system. SANAA policy is to encourage all communities to contract a system operator.

Community water boards usually collect a monthly tariff, the amount having first been agreed in a general community meeting. The income covers some or all of the following costs:

< Repairs or servicing of pipes, valves, pumps, motors, etc.

< Stationery

< Chlorine

< Electricity or other fuel

< System operator salary

< Per diems for water board members when travelling on water system business

< Savings for large-scale repairs or system extension/improvement.

The way the water boards function can vary greatly between communities. For example, some meet on a regular monthly basis to review the accounts and decide on an action plan for the following months tasks, whereas others meet only when there is a problem. In some water boards, all members participate actively, and in others, only one or two people assume any responsibility. To a large extent, the degree of water board activity is determined by the size and complexity of the water system. Again, to highlight SANAA policy, the aim is to encourage full and regular participation of all water board members and regular reporting to the community.

The TOM program is viewed as a working partner to the community water boards and aims to support and sustain rural water systems through appropriate operation and maintenance. The basic job description of the TOM is:

> "To promote, organize, and manage the processes of education and community participation for the operation, administration, and maintenance of water and sanitation systems."

The requirements for entry to the TOM program are that candidates must be male, between 20 and 30 years old, and possess a pre-university qualification in social work or primary education. New recruits receive an intensive 12-week training program which they must successfully complete before being accepted onto the program. The training program consists of theory and practical work in the following themes:

- Community motivation and participation
- Educational communication
- Water and sanitation concepts
- Basic technical concepts
- Water system construction and components
- Topography
- Engineering plans
- Water system operation and maintenance.

The TOMs' role is to support the community water boards in every aspect of system operation, administration, and maintenance by providing informal training and encouragement. An action plan for every community is drawn up based on its classification. (See Table 3 for a description of the four categories.)

Table 3: Water System Classification and Respective Remedial Action

Category	Description	Action
A	All the physical components of the system are working well. The water board meets regularly. Tariffs are fixed, are adequate, and are collected. The water supply is being chlorinated, and water quality standards are met. There is continuous or regular service.	Motivate the water board to continue the good work.
B	The system may or may not be functioning. There are operational problems that can be resolved without major investment. With minimal effort on the part of the TOM, the system can be moved up to "A" category.	Work together with the water board to resolve the minor problems in administration, operation, and maintenance.
C	The system may or may not be functioning. There are operational problems, and there may be technical problems with the water supply. Moving the system up to "A" category could require certain investments which are within the economic capacity of the community.	Work together with the water board to resolve the minor operational problems. Advise the board on the necessary system improvements, and their cost, in order for the community to raise the required capital.
D	The system is not functioning. There are many problems. Moving the system up to "A" category requires substantial investment, probably greater than the economic capacity of the community.	Report the situation to the regional SANAA office. There is little that can be done by the TOM.

The launch of the TOM program in 1995 at a national level coincided with the internal changes in SANAA's structure. Decentralization of authority to the regional offices has facilitated coordination of the TOM program with both the municipalities and NGOs. The latter are now able to request support from the TOM program at the regional offices of SANAA instead of having to go to the central office, thus reducing bureaucratic delays and developing working relationships at the local level. As an example of improved flexibility, municipalities and NGOs can request assistance for the training of rural water boards for new or rehabilitated systems. A few rural municipalities have directly benefited from the TOM program through training of the municipal system operators. Although there are no formal agreements, SANAA and the municipalities have a mutual interest in cooperation. The municipalities are legally responsible for local development, so there could be some political gain to facilitating the activities of the TOM program. Municipalities could supplement SANAA's limited resources by providing support for fuel or training facilities.

The initial strategy of the new TOM program was to produce an inventory of all the piped rural water systems and then carry out an in-depth evaluation of each system to determine its operational status and classification. (After Hurricane Mitch, the program decided to repeat this exercise to determine the impact on rural water systems.) The number of systems in the inventory was 4,023, as of March 2000; of these, some 3,961 or 93.1% have been classified. Data collected during initial classification and follow-up visits is entered into a specifically designed database: SIAR (Rural Water Information System). SIAR contains detailed information about every water system in the inventory and has proven to be a very useful planning tool. The

central office of SANAA maintains SIAR, and the regional offices can access their particular data via computer.

It should be noted that the four categories are not considered progressive stages through which a system must move. The objective is to move a system directly to the "A" category without passing through any other intermediate categories.

The initial classification of a water system usually takes one or two days depending on the size of the system and distance from the regional office. The classification process involves gathering data on the following areas:

< General information concerning the community, water system specifications, and water board organization;

< Administration system, including tariff level, summary of income and expenditure, balance or deficit;

< Technical information regarding water source, pipeline length and diameter, flow rates, micro-watershed condition, maintenance schedule, and sanitation system.

If the system is in "B" or "C" category the TOM plans activities to move the system up to "A" category. The TOM and the water board agree on a date for a follow-up visit to begin the training or supervision of improvements needed. It should be noted that the TOMs do not carry out the repairs themselves but rather offer advice on how to go about the task. In some communities a minimum of effort on the part of the TOM is needed to move the system up to the "A" category. For example, the water board may need reorganizing or training in bookkeeping. In such cases perhaps just one follow-up visit is all that is needed. In other communities the TOM may identify several problems that require a series of visits in order to reach the "A" category. Once a system has been assigned to the "A" category, the water board is presented with a SANAA diploma recognizing its achievement. The TOM organizes a community meeting to provide motivation to the water board members in the presence of their fellow community members. The diploma is renewed if the water system is classified in the "A" category in the following year.

Each TOM is responsible for an average of 50 water systems and is expected to visit each system at least twice a year. However, they are encouraged to allocate their time according to need, so the TOM may plan to spend several days in a particular community or visit weekly in order to develop a series of activities.

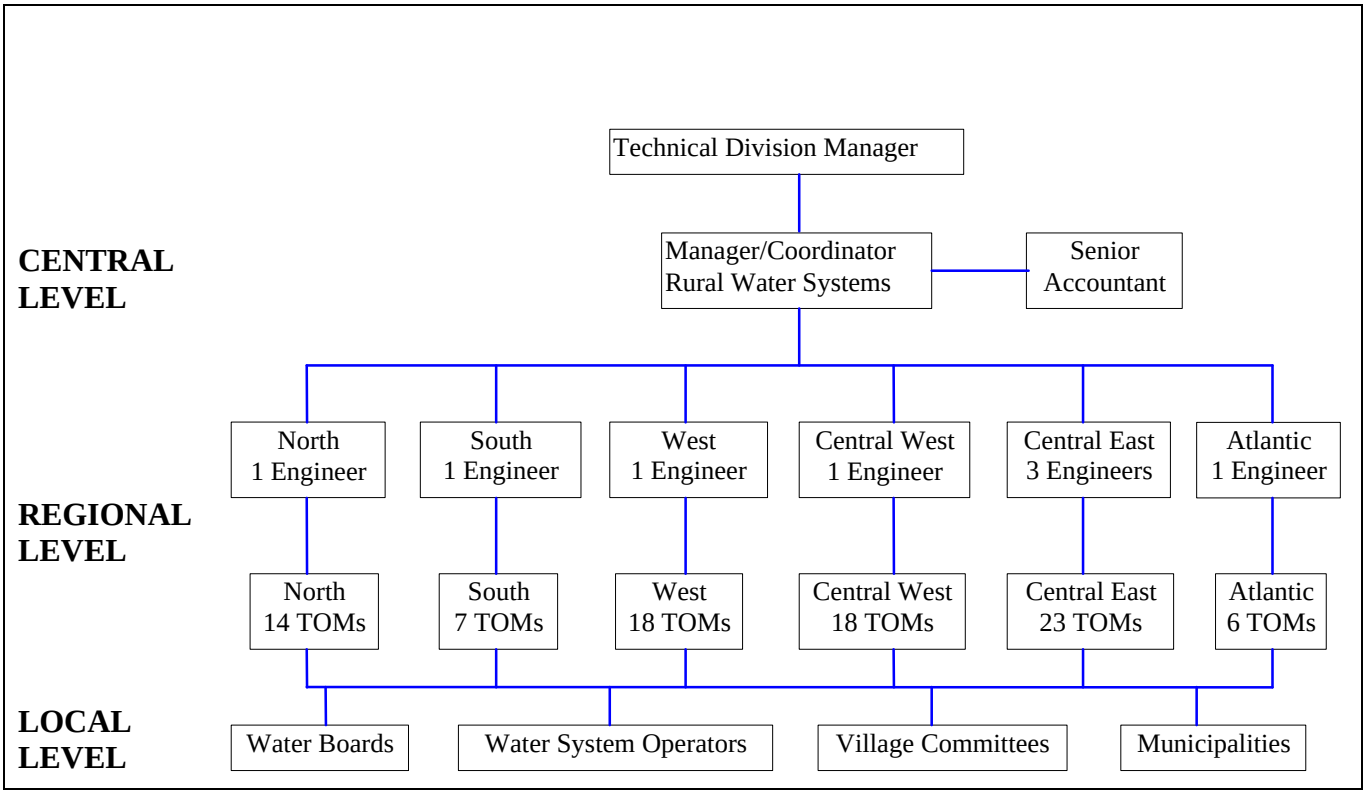
As mentioned above, the TOMs provide informal training to the water boards in all aspects of managing the water system. Training takes on a more formal approach only for specific technical topics, such as chlorination of the water system or protecting and delimiting the micro-watershed.

Another aspect of the TOMs' work is conflict resolution. Conflict in communities can take many forms; the advantage for the individual technician is that he is seen as the representative of an institution with certain authority in water-related matters. The TOM may meet up with conflicts

that are internal to the community, such as challenges to the water board's authority, or external, such as disputes over ownership of water resources or micro-watershed use.

The head office or central level of the TOM program has just two full time staff, though there are several other support staff responsibilities for the program as well as for other divisions or sections. The latter include, for example, accountancy, education/training, and managerial personnel. The majority of personnel are based in the regional offices as illustrated in Figure 1.

Figure 1: Organigram of the TOM Program



The TOM program does not have any formal relation with other government agencies—a situation open to criticism. Some argue that there should be close coordination between the SANAA TOM program and the MOH promoters, SANA and MOH being the two most important institutions with responsibility for water and sanitation and public health. The MOH has over 1,000 promoters, many of whom are equally well trained in water quality, chlorination, and environmental health promotional activities.

Private sector involvement in O&M of rural water systems is limited to supplying necessary materials or technical services. For example, when a community needs to carry out system repairs or improvements, the necessary materials are purchased from commercial suppliers. As a state institution, SANAA is not allowed to sell materials that have been purchased through public finance.

Financing and Cost Recovery

In the majority of communities a monthly tariff is levied on the users to cover recurrent costs. The tariff level depends on several factors:

< System type and condition

< Number of users

- The extent to which the community is organised
- Economic circumstances within the community
- Influence of external institutions

Clearly, the tariff issue is pivotal for to the sustainability of rural water systems. In the TOM program, for a water system to be classified in the "A" category the tariff level must be considered "adequate." Tariffs are defined as "adequate" if *all* recurrent costs are covered. SANAA interprets recurrent costs to include the purchase of chlorine. However, in rural areas there is considerable resistance to using chlorine. Thus, there are many "B" category water systems that are covering recurrent costs of maintenance, administration, and even have a savings component but are not chlorinating. Although these systems are financially viable and technically sustainable, they are not considered in the "A" category because consumption of non-chlorinated water is a public health risk.

In the case of a community not charging an adequate tariff to carry out preventive maintenance, the system deteriorates until service is interrupted. At that point, the usual response is for the community to look for external assistance (technical and financial). If the repair does not require major expenditure, the community will usually agree to a one-off payment to put the system back into service.

Establishing an adequate tariff level is undoubtedly one of the most difficult issues to tackle in rural communities. The TOMs advise the water boards on how to calculate the tariff level and will support the board in a community meeting if it is agreed that an increment is needed. The TOMs recommend that the tariff include a savings component to enable the community to cope with major repairs or system extension.

The tariff problem is best described as cultural; for generations communities were accustomed to a water supply from an unprotected source such as a stream or spring, and were never asked to make any payment. The development of a water system is a major event in most rural communities, but the concept of paying for water is not readily understood. Some development programs still require only minimum financial participation of the community or even pay community labor to build their water systems. These practices encourage the expectation that water service comes free. A major challenge for the TOM program is to bring about a change of attitude in the communities about the value and costs of operating a water system.

To date, the TOM program itself has been funded jointly by SANAA and USAID. The total budget for the year 2000 is Lps.18.4 million[7] (US$ 1.25 million), provided in the following proportions:

[7] Lps. = Lempiras. US$1 = Lps.14.7 (May 2000)

- SANAA--Lps.12 million, assigned to salaries and program administration costs.

- USAID--Lps.6.4 million, for operational costs including fuel, per diems, equipment maintenance, and technical studies. In addition to the USAID financial contribution, several new vehicles and motorcycles have been donated in this financial year.

The current reliance on external funding for the TOM program is not a sustainable policy. SANAA has begun consideration of ways to finance the program. Three main options have been proposed:

- Transferring the program to the municipalities. This is seen as a long-term option as the municipalities do not yet have sufficient experience in water and sanitation management.

- Charging communities a proportion of the costs, with the central government paying the main share of the budget. There is little enthusiasm for this approach because of the difficulties of enforcing payment by communities. In addition, SANAA has had limited success in the past when rural communities were charged for maintenance in the joint SANAA/IDB program.

- Exclusive financing by the central government. This option is considered to be the most feasible in the medium term. However, it will require clear political commitment to the program on the part of SANAA and the government.

Currently, all capital investment is provided by central government or through national and international aid programs. From 1990 to 1995, the combined annual spending (national and external resources) for rural water supply in Honduras was US$ 89.3 million, and US$ 15 million in rural sanitation. Respectively, this represents 46% and 20% of the total sector spending in water and sanitation.

Legal and Regulatory Framework

The current legal and regulatory framework that applies to SANAA and other institutions involved in the water and sanitation sector is rather vague. For example, the boundaries of responsibility between SANAA and the MOH are not adequately defined. Although this lack of legal clarity does not appear to affect the ability of the program to function effectively, there are no legal requirements that it should meet certain standards or provide certain coverage. The Framework Law before Congress includes an article that SANAA will be responsible for "…developing rural water supply, including the training of water boards for the operation, administration, and maintenance of the water systems."

This clause can be broadly interpreted to mean that SANAA must continue to offer backup support to communities through the TOM program or something similar. It would also appear to suggest that SANAA will become responsible for communities with water systems other than those that offer household connections. Thus, SANAA would be obliged to provide backup support to all rural communities with whatever type of water system.

However, other legal issues remain unresolved and continue to limit the effectiveness of the program. For example, the vast majority of water boards do not have legal status (*personalidad juridica*) i.e., there is no legal recognition of the water board as the system operator. The actual ownership of the water systems has to date been a non-issue. Water systems built by state funding are legally state property, whereas in the case of systems built by private development organizations, the system is donated to the community. In both situations, however, the community is viewed as the system administrator. The main impact of legal status is the introduction of accountability and ability to be regulated by the state. The water board could then theoretically be prosecuted if it did not fulfill the legal standards related to water system operation.

Another problem area is the ownership of micro-watersheds. The program encourages communities to reforest, delimit and purchase the micro-watershed wherever possible. However, the program has little recourse in law to enforce micro-watershed protection.

Environment and Health

The TOM program does address certain environmental and health concerns, but its promotional efforts concentrate on issues that relate directly to moving the systems into "A" category. For example, water system chlorination and cleaning are emphasized as they are essential for the system to be classified in the "A" category. Micro-watershed protection is also given considerable importance, and its condition is reviewed on routine visits. In some regional offices, program funds have been allocated to carry out educational campaigns on micro-watershed protection and management.

It appears that limited resources restrict the program's capacity to pursue environmental and health education activities more vigorously. The TOMs are expected to advise water boards on such issues as latrine coverage and household wastewater drainage; it is assumed by the TOMs that the key health messages will be passed on to other community members.

Health education activities are a relatively minor component of the TOM program. Although there is no formal coordination between the MOH promoters and the TOMs, the MOH has primary responsibility for health education and monitoring of public health indicators in rural communities.

Performance

Overall performance can be evaluated by the number of communities that moved into "A" category. The target for this year (2000) is to have 30% of communities in "A" category, and by the end of 2001, 50% in that category.

Table 4 indicates progress to date. Although there is too little data on which to perform any kind of statistical analysis, an overall trend shows a progressive increase in the proportion of systems in "A" category. However, the information in the Table doesn't specifically show the effects of Hurricane Mitch; September 1999 is the first quarterly report available following the hurricane—about 10 months later. Nevertheless, it is clear that the number of systems in categories "A" and "B" are still significantly lower than the figures immediately

prior to the hurricane. In June 1998, 2,426 systems fell into "A" or "B" categories, whereas the comparable number in September 1999 was 1,591.

Table 4: Water System Classification between December 1997 and March 2000

Quarterly Report Date[1]	Number of systems in inventory[2] (% classified to date)	Category %			
		A	B	C	D
December 1997	3,942 (78%)	268 (8.7)	1,863 (60.7)	752 (24.5)	186 (6.1)
June 1998	3,994 (93%)	293 (7.9)	2,133 (57.5)	893 (24.1)	391 (10.5)
September 1999	3,983 (72%)	251 (8.7)	1,340 (46.7)	843 (29.3)	439 (15.3)
December 1999	3,961 (84%)	392 (11.7)	1,575 (47.2)	1,033 (30.9)	340 (10.2)
March 2000	4,023 (93%)	567 (15.1)	1,635 (43.6)	1,146 (30.6)	399 (10.7)

[1] Last and first reports available around hurricane Mitch were June 1998 and September 1999.
[2] Number of systems in the inventory increases because new systems added. It decreases occasionally because duplications or classification errors are found.

A comparison of the June 1998 and March 2000 figures is particularly useful as the same proportion of systems had been classified. It can be seen that the number of systems in "B" category fell considerably, while both "A" and "C" categories increased. This can probably be attributed to the emphasis placed on moving "B" systems up to "A" and the damage to water systems as a result of the hurricane. The proportion of systems in "D" category barely changed, further supporting the finding that the program is performing well.

It is worth reiterating the significance of the "A" category, namely that the water system is functioning correctly on the basis of technical, financial, commercial, and environmental health criteria. On the basis of these criteria only 15.1%[8] or 567 rural water systems are considered to be working satisfactorily.

A further 43.6% of systems, those in the "B" category, are functioning well technically, and a proportion[9] of these systems are also fulfilling the financial criteria. Table 5 illustrates the regional differences in the proportion of water systems that are classified in the "A" category. These variations reflect different socioeconomic conditions, ease or difficulty of access, and performance of the individual regional offices.

[8] 15.1% of those systems classified by March 2000, i.e. 3,747 systems classified
[9] Obtaining the exact proportion would require that the file for each community be examined. The SIAR data base does not currently allow such detailed search criteria to be selected.

Table 5: Regional Analysis of Water Systems in "A" Category, by report date

Region	December 97	June 98	September 99	December 99	March 2000
	Number of Systems in "A" Category (as a percentage of classified systems)				
North	9 (2%)	31 (6%)	5 5%)	14 (5%)	14 (4%)
South	13 (6%)	2 (1%)	49 (18%)	57 (20%)	67 (23%)
West	56 (9%)	80 (10%)	113 (12%)	135 (14%)	183 (18%)
Central-west	27 (4%)	93 (10%)	15 (3%)	74 (8%)	121 (13%)
Central-east	82 (10%)	69 (8%)	43 (6%)	75 (12%)	144 (17%)
Atlantic[1]	81 (36%)	18 (7%)	26 (9%)	37 (13%)	38 (13%)
Total	268 (8.7%)	293 (7.9%)	251 (8.7%)	392 (11.7%)	567 (15.1%)

[1] The pilot project to the TOM program was implemented in the Atlantic region.

Factors that Contributed to Success

The success of the TOM program is based on several factors, the most important of which are described below:

- **The model concept,** based on providing advice, training and motivation of the water boards in situ, is an effective strategy for developing management capacity. With few exceptions, the water system is the only public service managed by the community, hence there is little or no experience in administering such services.

- **The classification system** from "A" to "D" is simple and easy to manage, enabling the TOMs and regional engineers to plan training activities according to individual community needs.

- **The SIAR system** provides SANAA with detailed information on the status of all the rural piped water systems. It facilitates the development of medium to long term operation and maintenance strategy, and helps identify common problems and regional performance.

- **Regular visits** by the TOMs help the water boards to keep on top of preventive maintenance and preclude minor problems from developing into major ones. An important aspect of the TOMs' routine visit is motivation of the water boards. The latter can count on an institutional ally to back them on potentially unpopular decisions, such as increasing the monthly tariff.

- The TOM program has **relative autonomy** in the sense that there is little political gain to be made from interference in the program management. Even at the local government level, political interest in tinkering with the program is likely to be minimal as no material resources are at stake. Although a few municipalities have provided some resources to facilitate TOM program activities, the political benefit is limited to adding credibility to their local development responsibility.

- **Decentralization** to regional offices improves the efficiency of the program by making it more accessible to the communities and municipalities. This devolution has also

introduced an element of competition between the municipalities or communities as quarterly results are made available to all the regional offices.

- **Operational flexibility is provided for** program management. The regional engineers are at liberty to manage the TOM program according to how they think they can best achieve the aims. Similarly, the TOMs can plan their visits and allocate time to each community on the basis of need.

- **The personal and educational qualities** of the TOMs themselves is another major factor for the success of the program. The educational criterion for recruitment is a pre-university qualification in social work or primary education. In addition, the candidates must successfully complete a 12-week training course before being accepted onto the program.

- **The provision of resources** (such as vehicles, motorcycles, and educational materials) and availability of water quality laboratories and equipment (such as altimeters, chlorimeters, and GPS) also contribute to the efficiency and success of the program.

- **Salaries** of the TOMs are generally better than those of other state promoters or technicians; the use of a motorcycle during work hours also carries a certain amount of status.

- **USAID** support has been fundamental to the program. The original concept was developed by USAID; but since its inception, it has played an advisory role rather than a managerial one. This approach has facilitated the perception of the TOM program as a national program.

- **USAID funding** initiated the program and has contributed to its success and stability. SANAA has had considerable leverage in requesting program funding for the program from the Ministry of Finance as a direct result of the steady USAID support. The counter argument remains, however, that as the program is in its fifth year, national funding should by now fully cover the total budget.

Prospects for Long-term Sustainability and Replicability

The long-term sustainability of the TOM program will be determined by three interlinking factors:

- **National political and financial commitments:** A clear political commitment to the program is fundamental for its long-term prospects. The question of commitment is relevant to both the executive management of SANAA and the central government. As a precondition, SANAA must fully embrace the program in order to present a strong case for allocation of resources from central government. A significant issue within SANAA is the distribution of resources between rural and urban divisions, as well as between new construction and O&M. At the central government level there is political pressure to increase access to water and sanitation. Thus, a rural maintenance program is not seen as a vote winner.

An important question to be asked in the political context is this: Is the program affordable? In the short term, it is difficult to produce figures that clearly demonstrate that it is cost-effective. To perform such an analysis, an estimation would need to be made of the number of water systems that would have gone out of service had they not received program support. It is possible, however, to calculate the annual cost of the program per user (Lps.9.20 or US$0.62) as it serves some 2 million users. Aside from the investment value of water system infrastructure, a valid analysis should also consider the public health cost in terms of mortality and morbidity exacerbated by defective water supply. When considering how such a program should be financed, it is worth pointing out that the NRWA program receives 90% of its annual budget from the U.S. government; the balance comes from membership fees and/or other local income.

Prior to Hurricane Mitch, the number of TOMs had been dwindling because sufficient resources were not committed by the SANAA management. Although the staffing situation is now much improved, there have been bureaucratic delays in allocating resources to the regional offices, indicating that there is still less than full commitment to the program. The support received from USAID, the most important aid donor to the water and sanitation sector, has undoubtedly added weight to the argument in favour of the TOM program. The issue of O&M support is a frequently discussed topic in meetings of the *Grupo Colaborativo*, and its members' opinions are also likely to influence SANAA's position.

< **Program performance:** Program performance will clearly influence the level of political commitment, and good results are essential if the SANAA management is to be convinced that the program is cost-effective. Unfortunately, there is a vicious circle as the apparent lack of commitment to the program results in demoralisation of the field staff. Several of the TOMs interviewed stated that they are sometimes unable to agree on activities with the community water boards because of uncertainty about the availability of resources such as fuel and per diems.

Compared to several decades of national and international investment emphasizing the development of rural water supply infrastructure, the TOM program is still very much in its infancy. Nevertheless, the program's track record to date is encouraging, especially if the effects of Hurricane Mitch are taken into account. As current efforts to rehabilitate hurricane-damaged water systems give way to the more usual development projects, the true capacity of the TOM program to support communities in O&M will become clear. Ironically it sometimes takes an event such as Hurricane Mitch to demonstrate the real value of this type of support mechanism.

The program certainly appears to be producing good results, and ambitious targets have been set for the proportion of rural water systems in the "A" category. However, some have suggested that 65% of systems in the "A" category may be a realistic maximum.

When considering the relatively small proportion of water systems currently in "A" category, several factors should be taken into account. The country suffered its worst natural disaster in November 1998, with widespread damage to upwards of 60% of the national stock of water systems. And although water systems in "B" category are

unlikely to be chlorinated, they are providing service. It can be argued that household water supply, even if it does not meet WHO quality standards, contributes significantly to the mitigation of water-related illness.

A clear limitation of the TOM program is that it covers only piped water systems. In addition to the 4,000 or so piped water systems, there are more than a quarter of a million rural inhabitants who depend on community wells for their drinking water; the question remains about how to provide support to those communities. As with piped water systems, community wells require regular maintenance, and water boards need training and motivation. The public health risk from an unsanitary well can be even greater than that of a piped water system because of the potential contamination focus.

< **Reform of the water and sanitation sector:** Currently, MOH and SANAA do not coordinate their programs or planning efforts. The forthcoming "Law for the Institutional Framework for the Water and Sanitation Sector" will be a positive development by more clearly defining SANAA's role in supervising rural water systems O&M. As a result, long-term development, planning, and commitment to the TOM program should become a high priority for SANAA and the state.

The annual cost of the TOM program is around $1.2 million or some $0.60 per user served. This is viewed by USAID and SANAA as a very reasonable cost, and they argue that a comparison should be made with the cost of replacing infrastructure that fails before reaching the end of its design life and in terms of lower health-care costs due to reduction in water-related illness. USAID is still funding nearly a third of the annual budget which raises a question about the long-term sustainability of the program. In the short term there appear to be few options available for financing the program when USAID support comes to an end. Although SANAA has considered several financing alternatives, it is likely that the only guarantee of continuity is for the central government to accept full budget responsibility. Again, the new Framework Law will help support that level of commitment as it makes SANAA responsible for providing administration and maintenance assistance to the rural water boards.

One of the important results of the TOM program has been the detailed information gathered regarding the condition of rural water systems at a national level. Based on data indicating that around 90% of the water systems are in the "A", "B", or "C" category, SANAA points out that the maintenance, or infrastructure repair in the case of "C" systems, is within the capacity of the communities. This data facilitates the planning and development of a strategy to provide appropriate maintenance support to the communities.

The overall impression formed through discussions with the community water boards is that they have benefited considerably from the training provided by the TOMs, the most common observation by the water boards being that they would like further training and more frequent visits from the TOMs assigned to their district. A frequently asked question is whether a twice-yearly visit is sufficient to ensure the adequate upkeep of rural water systems.

> Convincing the rural population of the health value of chlorinated water is a major challenge to all institutions working in the water and sanitation sector. The other great challenge relates to the historical and cultural problem of having to pay for water service. Changing attitudes about chlorination and payment for service is inevitably going to take several years. It is essential that all institutions working in the sector reach policy consensus on these two critical areas.

There is considerable potential for further development of the TOM program. The ultimate goal shared by such programs is to ensure the sustainability of rural water and sanitation systems, with the end result being improved public health.

From *The New York Times*, Sunday, December 31, 2000

A Fit City Offers Russia a Self-Help Model

By MICHAEL WINES

DUBNA, Russia – In a nation where the average person barely lives to 66, Nina Nikolayevna Semenovskaya is a most notable exception: 93 years old, and still strong enough to bat out love songs on an equally aged upright piano.

Just as notable, though, is how she got to that milestone.

Every week, for seven years straight, a nurse has dropped by her flat, to check her glaucoma, her kidney stones, her pulse and blood pressure, her ability to walk. Twice a week, a social worker has come to make a grocery list, arrange for the food to be delivered and straighten things up.

And not just for Nina Nikolayevna. Dubna's city fathers dispatch nurses to look in on 384 elderly and disabled shut-ins, a service performed by almost no other city in Russia. And should they ever need it, they will also get full time, in-home services – something unheard of in Russia and not universal in the West.

Sapped in the 1990's by soaring mortality and low fertility alcoholism and rampant heart disease, Russia too often seems an almost incurably ill place.

[Picture]

In Dubna, health care has soared as it sank elsewhere in Russia. At a children's center, Maria A. Klubnikina treated Liza Osipova, age 5.

But if there is a remedy, it may well lie here in Dubna (pronounced doob-NA). This city of 67,000 people about 100 miles north of Moscow is a textbook example of how Russia, the developed world's sick man, could heal itself.

It is also a lesson in how the rest of the world could help – and how a genuinely remarkable partnership between Dubna and the American Midwest did. Doctors and hospitals in La Crosse, Wis., have sent a thousand Wisconsinites to Russia to pore over Dubna's health-care system in the last eight years, and been host to a thousand Dubna residents in return. By the decade's end, the exchange has literally transformed medical care here, and drawn the attention of several Russian cities anxious to restore their own health.

Almost every curve on the winding streets of this placid, heavily forested town seems to boast a monument to health care: the rebuilt maternity hospital, which reopened recently; the kidney dialysis center next door; the education center in the Bolshaya Volga neighborhood; the women's wellness clinics on both sides of the broad Volga River; the rehabilitation center for disabled children and adults in a former kindergarten.

Such an arsenal is unheard of for a Russian town this size. Dubna built it all in the 1990's, while bureaucratic chaos and economic malaise were making a shambles of hospitals and clinics elsewhere.

What is equally impressive is what those investments have wrought: streamlined medical procedures that have eliminated nearly a third of its hospital beds. A fivefold drop since 1992 in hospital admissions of patients in diabetic comas. A contraception program that has sliced the city's abortion rate to two-thirds the national level. A dramatic rise in residents' satisfaction with medical care.

One yardstick, however, remains more or less unyielding: the death rate in Dubna, like the rest of Russia, has yo-yoed in tandem with the nation's upheavals and the resultant emotional stress. Mortality here rose sharply after Russia became independent in 1991, and again after the 1998 economic collapse, just as it did elsewhere. The good news is that it remains 20 percent below national rates.

The rest of Russia could be so fortunate, said Dr. Sergei Riabov, the 48-year-old director of Dubna's health department. "There is potential in Dubna, and there is potential in Russia," Dr. Riabov, a bearded, bespectacled infectious disease specialist who has run the department since 1994, said in a recent conversation.

"You can stand around and say 'There's enough money, and as long as the situation doesn't change, what can we do?' But that's not productive. And even if there isn't any money, you should be honest about it, look yourself in the eye and work with what you have."

Dubna began with more than most Russian towns, for this is no ordinary place. And would never have revived itself without the more-or-less accidental confluence of some extraordinary people, on both sides of the Atlantic.

But most of Dubna's luck is homemade. "Change is not begun without an environment that permits change," Sandra J. McCormick, one of the Americans who has played nursemaid to Dubna's public-health recovery.

Hard Times in a Once-Elite City

For a long time, Dubna was so mysterious that it did not appear on Soviet maps.

After World War II Stalin ordered the thick pine forest here near the Volga cleared to build a laboratory devoted to nuclear scientific research – and eventually, a city to serve it.

Khrushchev unveiled Dubna and its Joint Institute for Nuclear Studies in 1956 as the Communist-bloc locus of basic research into atomic physics. This is the site of the world's first atom smasher, and the only city to lend its name to an element (No. 105, Dubnium). Later, plants sprang up to make sport aircraft, satellite components and parts for nuclear reactors, but cutting-edge physics was and is Dubna's reason for existence. With that status came clean, high-tech industry that all but guaranteed a gusher of money from a Kremlin intent on matching Western advances.

Then, with the Soviet collapse in 1991, total dependence on the state turned overnight into a huge liability.

"At the beginning of the 1990's, we were in a much more difficult situation than many cities, particularly with foodstuffs," Valery Eduardovich Prokh, Dubna's mayor, said in a recent interview. "These companies lived on state orders, so without the state orders, there was practically no budget. Wages weren't paid; pensions were not paid.

"Nearly 2,500 people became unemployed. And the ones that were working had delays in their pay."

Mr. Prokh, an outgoing man with a booming voice and a take-charge manner had been chairman of the Dubna city soviet in Communist times. But he proved no ordinary apparatchik. Appointed as mayor in1991, he began trying to lift Dubna from its slough – and serendipitously, found a helping hand 6,000 miles away, in La Crosse.

In the late 1980's, a few doctors in La Crosse joined a symbolic effort by the American group Physicians for Social Responsibility to promote world peace. The idea was to float so-called peace lanterns down the world's major rivers, each bearing a child's name.

One La Crosse doctor gave a youngster's letter about the project to a Russian doctor in St. Petersburg. That doctor gave it to his mother, who lived in Dubna.

Soon children in Dubna and La Crosse exchanged lanterns took them to the banks of the Volga and the Mississippi, and set them free. "The whole school gathered, teachers and kids. There was so much enthusiasm," said David Bell, an American expatriate who has lived here for more than 40 years, "and that's when it clicked. I said, 'Why shouldn't we twin up?' And we began negotiating it."

As Sister Cities, a Perfect Fit

At the depths of Dubna's travails in the early 1990's, the two cities began a more-or-less traditional sister-cities relationship. Early on the people of La Crosse sent 170 tons of food, clothes and medical supplies to Dubna, along with 16 La Crosse residents to help unload it all. Jack Schwem, then the chief executive of La Crosse's Lutheran hospital, flew to Dubna to help set things up, and returned full of enthusiasm. His wife, Marti, returned the next summer.

Ms. McCormick was a vice president at the hospital. "I'd been listening to my boss talk for months about Russia and how fascinating it was," she said. "So I started looking around to see what sort of money was available."

What she found was a perfect fit, a United States Agency for International Development program that subsidized partnerships between American health care institutions and former Soviet cities. With the backing of Dubna, La Crosse's major hospitals and clinics received a grant and Ms. McCormick became La Crosse's point person for the project. Eight years

later, there have been exchanges totaling thousands of Russians and Americans – and nearly $1 million in spending.

Such programs are not uncommon, and like any arranged marriage, they are gambles. Some fail. Some click.

Dubna and La Crosse clicked. The chemistry between two small cities was surely part of it, as was the two sides' early agreement that theirs was not a relationship of American mentor and Russian protégé, but of equals.

But in large part, his. McCormick said, it worked because the leaders of Dubna were determined to make it so.

"The mayor is a visionary," Ms. McCormick said in an interview during her 35th visit to Dubna last month. "He was intolerant of obstacles to change. He surrounded himself with great people who were not committed to a project just as long as the money was there, but until it actually made life better for the people of Dubna."

Indeed, after some early wrangling over whether to splurge on expensive medical equipment – an idea the Wisconsinites rejected – money was not a big issue. Much of it went not to buildings or equipment but to airline tickets that allowed Russians and Americans to see different worlds of medical care.

After a 1993 trip to La Crosse, for example, Dubna officials surveyed 2,000 residents over age 60 and used the results to begin a home-care program and a hospice service much like the ones they had seen in Wisconsin. Starting from a three-person office, Dubna's home health care and hospice operation has grown to nearly two dozen people, and added home care for younger disabled people to its list of services.

After another trip, Dubna found some local funds to convert a little-used kindergarten into a rehabilitation center for children with bone deformities and other growth-related problems.

Before, children periodically made the three-hour trip to Moscow to be fitted with far bulkier orthopedic devices. Now the Dubna center treats about 300 people throughout the region.

"The people in La Crosse taught us this American technology," said Maria A. Klubnikina, a rehabilitation specialist at the center, as she took a gypsum cast of a partly paralyzed 5-year-old's leg one recent afternoon. "I insisted on going to America to see how they did it. They do them in Moscow—but nothing like here, even now. These are much more comfortable, more practical.

"When you see the results," she said, "it's like a second wind."

It is also a second wind for parents. "A lot of parents drive here in the morning, and a bus from the center gathers all the children who want to come," said Maria Osipova, a 45-year-old speech therapist and mother of Liza, the 5-year-old. "They spend practically

the whole day here. They sing, draw, they have computer classes, they do embroidery – they even have psychotherapy.

A Laundry List of Successes

The list of accomplishments in Dubna seems endless. Using nearly $300,000 in city money, workers converted Dubna's old maternity hospital, in which mothers were kept apart from their newborns, into a La Crosse-style birthing center. Mothers have private rooms – and a choice of colors – in which they give birth and care for their babies.

To make the switch, doctors and nurses had to abandon the tenet that contact between a newborn and family posed too great a risk of infection.

"A trip to the U.S. inspired them," said Viktor S. Dimitriyev, chief doctor of the hospital that includes the maternity house, "and started the talk of possibilities."

After more visits, Alcoholics Anonymous, Al-Anon and a local sobriety center opened was there project here, as did classes that teach adolescents how to handle conflicts. And with the help of a grant from the Department of Health and Human Services in the United States, instruction about health problems associated with tobacco and alcohol is becoming part of the school curriculum even in the primary grades.

At one point, Dubna asked La Crosse to donate a used kidney-dialysis machine and La Crosse balked, worried that maintaining such delicate foreign-made equipment would prove too difficult in a rural area.

Dubna wound up buying two machines, and sending operators and technicians to La Crosse for training, while a La Crosse expert helped set up the Dubna site. Now Dubna is the dialysis center for much of northern Moscow.

Dubna's two women's wellness centers wielded an American foundation grant to offer two years of free contraceptives to any woman who needed them. As a result, the city's abortion rate dived in a year to 1.2 abortions for every birth from about 2. The centers' new goal is to set up a laboratory to diagnose sexually transmitted diseases, something now done in Moscow.

[Map]

Doctors and hospitals in La Crosse are filling a medical service gap in Dubna.

Not least, Dubna doctors elected at La Crosse's invitation to study how Wisconsin hospitals treated the five most common ailments found in Dubna and found that they were admitting too many patients to Russian hospitals and often prescribing too much medicine.

Dubna's new guidelines for handling those diseases has contributed to the closing of 190 beds, and saved hundreds of thousand of dollars annually.

And patients, educated through newspaper articles, pamphlets and talk shows as to why it was preferable to get treatment at home, have flipped in surveys from being universal critics of medical care to near-universal advocates.

“It’s been more successful than I had hoped it might be,” said Dr. Kermit Newcomer, a retired La Crosse doctor and medical administrator who ran the program’s Wisconsin end. “The physicians are proud of the change they’ve made. And the community is too.”

As they might well be. For they had to battle their own bureaucracies to make some changes.

For example, under Russian government formulas that base hospital aid on the number of patients, promoting home care meant a huge drop in subsidies.

Dubna and La Crosse managers argued to Russian authorities that the city should not be punished for gaining greater efficiencies – and managed to get a new formula to calculate assistance.

Westerners accustomed to fighting authority may not fully appreciate the fortitude needed to upset a Russian apple cart. And those unfamiliar with Russia’s ingrained suspicion of things foreign – especially American – may not grasp the sea change in attitude here.

But Mr. Bell, the American living here, can offer a good illustration of the transformation.

Last spring, after American-led NATO forces started a bombing campaign against Yugoslavia, Russians everywhere felt not just outraged, but betrayed. And in Dubna, they wrote a letter to Mayor Prokh.

“They were demanding that he immediately cut off all relations with people in La Crosse if La Crosse didn’t condemn Clinton’s action in Yugoslavia,” Mr. Bell said.

The mayor read the letter. Then he issued a diplomatically worded reply which can be summarized in a word: No.

“We have a lot of friends in La Crosse,” Mr. Prokh said in a recent conversation.

Last year, United States funding for the health care partnership between Dubna and La Crosse ended, for the best of reasons: Dubna did not need more help.

The rest of Russia does. Whether it will get it is another question.

The Ministry of Health declined several requests for interviews for this series of articles. Officials did provide a two-page statement noting that federal spending on health care rose by a third this year, to about $440 million, and should grow another 25 percent in 2001.

President Vladimir V. Putin, who has cast Russia’s population decline as a threat to national security and the Russian identity, has ordered aides to fix the health care mess. Last September, the Kremlin issued a blueprint for public health that stresses concepts

embraced by much of the West, from greater reliance on market incentives to a new emphasis on disease prevention and healthy living.

Most experts applaud the plans, even as they wonder whether a Kremlin blueprint is a substitute for greater willingness to make difficult changes, or even recognize that change is needed.

This fall, Russia's health minister sought to dramatize Russia's epidemic of circulatory disease by pulling out a blood-pressure cuff at a Kremlin cabinet meeting and offering to test his fellow members. The results were telling: 80 percent of those tested turned out to have hypertension.

But half the cabinet refused to be tested.

From *The New York Times* on the Web, January 2, 2001

Opinion

Russia's Health Care Emergency

One of the most devastating social consequences of Russia's mismanaged passage to a market economy over the last decade has been the virtual collapse of its health care system. Soviet-era conditions were poor, with long waits, brusque bureaucracy and uneven standards of care. But today's problems are more fundamental. Public hospitals and clinics lack the most basic medicines and equipment and are nearly overwhelmed by an increasingly sick population.

A series of articles in The Times over the past month has shown the harsh consequences for ordinary Russians. Despite successful reform efforts in a few localities and the heroic efforts of dedicated doctors to improvise their way around the shortages, the overall statistics are grim.

Male life expectancy has declined to just 59.9 years, compared with 74.1 years in the United States. Russia's death rate now surpasses its birth rate. Once tamed infectious diseases, including tuberculosis, diphtheria and polio, are again spreading at worrisome rates. On top of this, many Russians have responded to economic hardships with self-destructive forays into alcoholism and violence.

The resulting erosion of the able-bodied work force threatens Russia's hopes for economic revival, and perhaps for political stability as well. Neighboring countries are threatened by the alarming spread of communicable diseases like drug-resistant tuberculosis and AIDS.

Revitalizing health care must now become one of Russia's most urgent priorities. Substantial resources will have to be directed into treatment and prevention programs, more than Russia's national or local governments can currently afford. Outside help will be needed as well, from Western governments, international aid institutions like the World Bank and private sources like American medical schools. Russia's wealthy oligarchs should also consider funding philanthropies dedicated to health care improvements.

International assistance programs must be carefully designed to prevent fraud and diversion. Foreign dollars ought to be channeled into national childhood immunization programs, providing needed vaccines, training and public education. Help is also needed in raising medical salaries, which are abysmally low. Even with attention and resources, the revival of public health care institutions will take years. Meanwhile, private hospitals and clinics need to be nurtured and made more accessible to poor and rural Russians.

The Times series reported on a remarkably successful partnership between the cities of La Crosse, Wis., and the Russian city of Dubna, 100 miles north of Moscow, that modernized maternity care, pediatric treatment and home care of the elderly.

The key element in these changes was not money, but a series of exchange visits between the two communities that introduced Dubna's political leaders and medical professionals to more up-to-date methods and techniques. The partnership succeeded in large part because Dubna's leadership did not succumb to the passivity that paralyzes efforts to revitalize Russia's heath care system elsewhere.

In today's interconnected world of migration, investment and trade, no country's health care problems stand alone. America and other Western nations should recognize that they serve their own interests as well as their humane responsibilities by helping Moscow provide for its people a level of health care worthy of a modern European nation.

Related Articles

- A Fit City Offers Russia a Self-Help Model (Dec. 31, 2000)
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- Russia's Doctors are Beggars at Work, Paupers at Home (Dec. 16, 2000)
- Infectious Diseases Rising Again in Russia (Dec. 5, 2000)
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- An Ailing Russia Lives a Tough Life That's Getting Shorter (Dec. 3, 2000)

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General Readings

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- Legal Framework of Local Government (Richard E. Winnie)
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- Territorial Decentralization: An Obstacle to Democratic Reform in Central and Eastern Europe? (Michal Illner)
- The Decentralization of Human Services: An Example of the Transformation of Public Administration in Central and Eastern Europe (Tamás M. Horváth)

Rationale for Decentralization

Much of the decentralization which has taken place in the past decade has been motivated by political concerns. For example, in **Latin America**, decentralization has been an essential part of the democratization process as discredited autocratic central regimes are replaced by elected governments operating under new constitutions. In **Africa**, the spread of multi-party political systems is creating demand for more local voice in decision making. In some countries, such as **Ethiopia**, decentralization has been a response to pressures from regional or ethnic groups for more control or participation in the political process. In the extreme, decentralization represents a desperate attempt to keep the country together in the face of these pressures by granting more autonomy to all localities or by forging "asymmetrical federations." A variation on this theme has been decentralization as an outcome of long civil wars, such as in **Mozambique** and **Uganda**, where opening political opportunities at the local levels has allowed for greater participation by all former warring factions in the governance of the country. The **transition economies** of the former socialist states have also massively decentralized as the old central apparatus crumbled. In many countries, decentralization simply has happened in the absence of any meaningful alternative governance structure to provide local government services. In some cases (particularly in **East Asia**) decentralization appears to be motivated by the need to improve service delivery to large populations and the recognition of the limitations of central administration.

Although the main reason for decentralization around the world is that it is simply happening, there are a multitude of design issues that affect the impact of different types of decentralization on **efficiency**, **equity** and **macrostability**. In this regard, there is a growing body of literature examining the economic rationale for decentralization.

The specific services to be decentralized and the type of decentralization will depend on economies of scale affecting technical efficiency and the degree of spillover effects beyond jurisdictional boundaries. These are issues that need to be taken into account in the design of a decentralized system. In practice, all services do not need to be decentralized in the same way or to the same degree. In an important economic sense, the market is the ultimate form of decentralization in that the consumer can acquire a tailored product from a choice of suppliers. The nature of most local public services limits this option and establishes a government role in ensuring the provision of these services, but it does not automatically require the public sector be responsible for the delivery of all services. Where it is possible to structure competition either in the delivery of a service, or for the right to deliver the service, the evidence indicates that the service will be delivered more efficiently. Although uncommon in practice, local governments have successfully competed for the right to provide certain local services. In an array of local public services in any particular country, a mix of solutions from deconcentration to managed competition/privatization is likely to co-exist.

Although politics are the driving force behind decentralization in most countries, fortunately, decentralization may be one of those instances where good politics and good economics may serve the same end. The political objectives to increase political responsiveness and participation at the local level can coincide with the economic objectives of better decisions about the use of public resources and increased willingness to pay for local services. At least five conditions are important for successful decentralization:

- the decentralization framework must link, at the margin, local financing and fiscal authority to the service provision responsibilities and functions of the local government - so that local politicians can bear the costs of their decisions and deliver on their promises;

- the local community must be informed about the costs of services and service delivery options involved and the resource envelope and its sources --so that the decisions they make are meaningful**. Participatory budgeting**, such as in **Porto Alegre, Brazil**, is one way to create this condition.

- there must be a mechanism by which the community can express its preferences in a way that is binding on the politicians --so that there is a credible incentive for people to participate;

- there must be a system of **accountability** that relies on public and transparent information which enables the community to effectively monitor the performance of the local government and react appropriately to that performance- so that politicians and local officials have an incentive to be responsive; and,

- the instruments of decentralization --the **legal and institutional framework**, the structure of service delivery responsibilities and the intergovernmental fiscal system-- are designed to support the political objectives.

Fulfilling these goals (or at least having local governments improve upon the central government's record) is a tall order, but achievable.

Successful decentralization is closely related to observing the design principles of: finance following [clear assignment of] functions; informed decision making; adherence to local priorities; and accountability. However, applying these principles in practice has not proven to be simple. Country circumstances differ, often in subtle and complex ways, consequently the policy and institutional instruments that establish decentralization have to be shaped to the specific conditions of individual countries.

Proposed Principles for State Financial Support for Local Governments

Lawrence C. Seale
August 27, 1997

Principles governing allocation:

< Local governments (councils and mayors) should be responsible for deciding how to best meet the needs of their communities and for limiting expenditures to the revenues that are available.

< Because local governments' own sources of revenue are low, the state needs to provide some of its resources to assist local governments in meeting their expenditure requirements.

< Greater state financial assistance should be provided to those local governments with either greater needs to provide services or lesser capacity (ability to generate revenue). Although it is difficult to determine "need" and "capacity" precisely, the determination should be made in a simple, logical, and understandable fashion.

< Local governments should be able to anticipate a relatively stable and predictable source of revenue from the state, rather than one that fluctuates from year to year.

< Local governments should not have to suffer a serious loss of financial support from the state budget as the result of implementing a new revenue sharing methodology. The revenue sharing methodology should include provisions that would ease the transition to the new approach.

< If the national government requires local governments to assume new expenditure responsibilities in the future, the local governments should be provided with additional resources to meet those responsibilities.

Other possible principles:

< It is wise to provide a clear demarcation between the responsibilities of the central and local governments. Public institutions and functions should be primarily financed by either the central government or local government, rather than getting a portion of their finances from both sources, which makes the coordination of financing more difficult.

< The aggregate amount of financial support for local government (as a percent of the state budget or gross domestic product) should be established as a policy, so that amounts would be more predictable from year to year.

LEGAL FRAMEWORK OF LOCAL GOVERNMENT

Richard E. Winnie, Esq.

Establishing a System of Local Government

In most countries local governments exist by virtue of national legislation. Laws create the levels of government and define their responsibilities. Laws also define the degree of authority that each level of government may exercise, ranging from administrative units that perform services mandated by the central government to local governments that can act independently of the central government.

The national constitution is the starting point in the creation of the local government structure. It defines the authority of the central government and generally describes the lower tiers of government. It usually provides for a tier of "local governments" led by locally-elected officials.

The local government provisions of the constitution are implemented by a variety of laws that assign duties to the local governments and determine the degree of their autonomy from the central government. These law fall into three categories:

< National legislation that creates the structure of local governments

< National and locally-adopted legislation that establishes the internal organization and procedures of local governments

< National legislation that provides the financial capability of local governments.

There are usually two or three main laws on the structure of local government. Numerous other laws, adopted by the national legislature and local legislative bodies, supplement the main laws by specifying the duties, organization and procedures of local governments. Fiscal and budgetary acts further define the powers of local government and their ability to carry out their obligations.

Laws Determining the Structure of Local Governments

The constitution and implementing legislation define the structure of government by describing matters such as:

< The levels of government

< The services that shall be performed by each level of government

< The degree of independent authority that each level of government may exercise.

A major difference among systems of local government is the degree of local autonomy. At one extreme, the tiers of government may consist of regional administrative units that carry out

programs as required by the central government. At the other extreme, the system may include local governments that can decide what services to perform and the manner of performance.

Laws Determining the Internal Organization and Procedures of Local Government

The internal organization and the operating procedures of a local government may be set forth in national legislation or left to the local government to decide for themselves. This body of law addresses issues such as:

- How are local government leaders selected? Does the central government have a role in selecting or removing local officials?
- Do local officials adopt the administrative organization of the local government and select staff?
- Who makes decisions for the local government? To what degree can local officials decide what services to provide and the manner of performance?
- To what degree do local officials decide the amount revenue of raised for local services?

Laws Defining the Fiscal Capacity of Local Governments

There are two types of national laws that determine the fiscal capability of local governments:

- *Local government finance:* Local governments derive their resources by transfers from the central government and by assessing local taxes and fees. The system of local public finance is set forth in national laws that define the sources of funds for local governments and the power of local governments to raise their own resources.
- *Annual budget law:* The annual budget law allocates funds from the central treasury to local governments. Allocations to local governments should be stable from year to year, so that local governments can plan ahead and make long-term investments in infrastructure.

These laws should give local governments the means to carry out their assigned duties. In addition, where a local government has the discretion to initiate services or to provide a higher level of service, they should have a corresponding ability to raise revenue to pay for service enhancements.

The System of Local Governments

Trend Toward Decentralization

Currently there is a trend toward applying free market principles to traditional governmental services. In the past governments sought to provide a uniform level of service throughout the nation, but today there is a growing tendency to adapt services to local conditions. There is also

an increasing use of market mechanisms, such as user fees, to allocate services. This trend is having two impacts on local governments:

< *Decentralization:* National governments are decentralizing decision-making to lower levels. This allows local officials to adapt services to local needs and conditions. It also allows local officials to use scarce resources more effectively by balancing competing needs and charging fees for some services.

< *Privatization:* Governments are relying more heavily upon the private sector to provide public services. The driving force behind this shift is the belief that the free market can help governments become more efficient and adjust more quickly to changes in demand. Consequently, many state monopolies in Western Europe, Latin America and Eastern Europe have been privatized. Governments are also contracting with private firms to obtain services; such as trash collection and road maintenance, that have traditionally been performed by public employees.

Privatization and decentralization are based on the same principle: preferences for public goods and services are best understood by examining how people vote. The mix and level of services to be provided by a government are best determined by the local electorate, just as the production of commercial goods is ultimately determined by consumers "voting" their preferences with their money.

As stated by Richard Bird and Christine Wallich in *Institutional Change and the Public Sector in Transitional Economies,* "in a well designed inter-governmental system; local governments, fully accountable to local constituents, are in a better position to identify and respond to their constituents' needs than central governments. Residents obtain what they want and what they are willing to pay for, rather than what the center provides."[1]

Designing the Structure

Three questions must be answered to determine the structure of local governments:

< What services shall local governments perform?

< What degree of control shall the central government exercise over local services?

< How shall local services be financed?

The attached table shows that there are major variations in the responsibilities that different nations assign to their local governments. Decisions about what services are delegated and the degree of local autonomy are based upon the following criteria:

< *Operational efficiency:* Factors, such as the size and density of the population and the geographical area served, affect the efficiency of a service.

[1] Richard Bird and Christine Wallich, *Institutional Change and the Public Sector in Transitional Economies,* edited by Salvatore Schiavo-Campo, The World Bank.

- *Vital national interest: A* vital national interest may require that a service be performed uniformly throughout the country. This can cause the central government to retain responsibility for the service.

- *Local choice or variation in local conditions:* For some services there may be a need to accommodate cultural differences or geographical variations. This can lead to the delegation of decision-making to local governments.

- *Inter-regional equity:* For some services, such as water treatment and primary education, there is a need to maintain a minimum standard throughout the nation, regardless of the ability of a locality's ability to pay. This can lead to fiscal transfers from the central government to equalize resources.

Most countries assign responsibilities such as national defense, postal service and social welfare to the central government. These services provide benefits that are not limited to a single region and so they are financed by the national budget. The judicial system, foreign affairs, environmental protection and inter-regional commerce are also seen as national government functions.

Services like water treatment and sewage disposal, parks and recreation and trash collection are usually assigned to the local level so they can be adapted to local needs and conditions. There is greater variation in the assignment of functions like education, health services and police protection.

Another important consideration is the need to provide services efficiently. A small village may be appropriate as a local democratic unit, but it may be too small to provide all services efficiently. Instead, several villages in a valley might cooperate in providing services, such as water treatment and distribution, to achieve a greater level of efficiency.

Several levels of government sometimes share the responsibility for performing a service. For example, local governments might provide kindergarten and primary education, while the central or regional government provide for technical and collegiate education.

Financing Local Government

Criteria for Revenue Assignment

It is very difficult to achieve decentralization without a sound fiscal relationship between the central and local governments. The laws on local government finance enable local governments to impose fees and taxes and may also assign a share of nationally posed taxes to local governments. The annual budget law allocates funds to local governments to carry out services mandated by the central government.

The following are the major objectives of the local public finance system:

- *Revenue correspondence:* Perhaps the most important goal is to ensure that local government duties are matched by an ability to pay for them.

- *Stability and predictability: To* the extent that local governments rely on transfers from the central government, allocations to local governments should be stable and predictable from year to year. This enables local governments to plan beyond the current budget year and to make long-term investments in infrastructure.

- *Equalization:* Funds are transferred from the central government to offset differences in the fiscal capacity of various local governments. Equity is especially important in the funding of essential services and social welfare.

- *Infrastructure improvement:* Local governments are often responsible for installing and maintaining infrastructure, such as water distribution facilities. Therefore, local governments should be equipped with the ability to borrow funds and recover capital expenditures.

- *Accountability:* Local officials are directly accountable for services that are supported by local taxes and fees. This is especially true where user fees support a service.

- *Consistency with macro-economic goals:* Local governments should not be allowed to impose local taxes and fees in a manner that undermines national economic goals. For example, duplicate taxation of business profits can cause tax evasion and create disincentives for business development.

Sources of Local Government Revenue

Local government resources are usually drawn from a combination of transfers from the national treasury and funds raised directly by local governments.

User fees and property taxes are the two most important sources of local revenue. User fees place services, such as water or electrical utilities, on a self-financing basis and have the effect of rationing their use. Property taxes are an excellent source of local revenue, because the basis of the tax is identifiable and easily valuated. Property taxes also create an incentive for local governments to make investments that the value of property, since this will lead to greater tax receipts.

The following are three mechanisms that are often used to transfer funds national treasury to local governments:

- *Transfer payments:* These are allocations to local governments in the budget for general support, to fund mandated services and to redistribute resources among communities.

- *Shared taxes*: A portion of a particular national tax may be allocated to local governments for general support or for one or more specified programs.

< *"Piggyback"* taxes: Local governments may be given the power to increase the rate of a national tax, within a limit, and receive the additional amount thereby collected within their jurisdictions.

Relationship Between Autonomy and the Fiscal System

Decentralization consists of the delegation of responsibilities and decision-making authority to local officials. However, regardless of the formal delegation of the effectiveness of local governments ultimately depends upon their capability. Unless they are financially able to perform the services that are a: them and that they are allowed to initiate, decentralization will ultimately be ineffective.

Decentralization and Infrastructure

Technological developments that diminish economies of scale and political pressures for decentralization and have led to increased subnational government participation in providing and financing roads, water and sewerage systems, transit, power, and telecommunications networks, as well as other public infrastructure. The advantages of this decentralization are becoming more apparent: subnational governments are better positioned to identify local preferences for infrastructure technology or service quality, accountability is enhanced with local decisionmaking, and voters have more information on the price and quality of services, thereby increasing competition in the sector. Theoretically, decentralization can also improve equity in the distribution of infrastructure as smaller governments away from the political center gain more latitude and funding to serve their constituents. Still, decentralized provision and financing of infrastructure does not guarantee improvements in the quality or distribution of infrastructure. Local performance depends on the incentives facing decisionmakers, which in turn depend on the financial, institutional, and political environments in which decentralization occurs.

This note outlines some general guidelines for assigning responsibility for public infrastructure to central, subnational, and local governments and to community groups and the private sector. It describes the institutional settings that can create the right incentives for decisionmakers. It also examines some of the evidence about decentralization's effects on infrastructure provision.

Assigning Responsibility in Infrastructure Policy

Services may be provided and or financed by many different public sector institutional structures; they can be provided by the private sector under various contracting arrangements; or they can both be provided and financed by the private sector alone.

Each type of infrastructure investment has particular characteristics—economies of scale, exclusivity, and spatial concentration of beneficiaries, for example—that affect the desirable degree of decentralization. Provision of infrastructure can be broken up into a number of decisions and separable responsibilities: planning networks, choosing locations, setting standards, constructing and operating facilities, regulating, and maintaining systems. The basic logic behind assigning these tasks is that the central government should have primary responsibility for ensuring the quality and consistency of infrastructure networks that affect the well-being of citizens in multiple jurisdictions, while local or subnational governments should provide services that can vary between jurisdictions to suit local needs without disrupting national development policies. The private sector can play an important role in building, operating and /or maintaining different types of infrastructure. The assignment of responsibilities should ensure that the benefits and costs of decisions are borne by those who make the decisions.

Design: Each level of government has a comparative advantage in designing infrastructure: the central government has the nationwide perspective and jurisdiction to ensure compatibility across the entire network, while the lower-level governments face lower transactions costs in gathering and aggregating place-specific information. Local initiative can also lead to innovative, more efficient designs. Private contractors can often serve as a source of technical expertise in design.

Construction: Construction is one of the most commonly decentralized functions, for it is relatively simple and place-specific. The private sector is often involved in this area as well. In the Republic of Korea, local governments have acted as developers -- consolidating large parcels of land, building infrastructure, then returning part of the land to the original owners and selling the rest to recoup development costs.

Financing: Central governments usually provide the bulk of finance for infrastructure investment, while lower-level governments and the private sector participate more often in financing small improvements, modifications, and local additions to the national networks. Many central governments also provide transfers to local governments for local infrastructure investment or maintenance in order to ensure a minimum level of infrastructure for both reasons of efficiency (externalities) and equity.. These transfers can be quite a large percentage of infrastructure funding.

Local governments can support capital investment and maintenance through several channels including: 1) general transfers from the center, 2) specific purpose transfers from the center, 3) local taxes, 4) earmarked user fees for specific types of infrastructure (e.g. water charges) and 5) subnational borrowing. Their use of these different channels will depend on the system of intergovernmental finance and the legal and regulatory system which sets the rules for local finance. (see legal note). User fees are a particularly important source for local infrastructure finance since local governments can identify users and collect user fees in their jurisdiction quite easily. (Note that over-reliance on earmarked user fees can starve local governments of an important source of finance with which to finance other public goods, such as the social services and address equity concerns.) Valorization, a system of local taxation in which the cost of public works is allocated proportionally to affected properties, has become more common.

In developing countries, in particular, maintenance tends to be neglected at all levels, since the results of money spent are not as immediately apparent and the pressures to extend the infrastructure network to underserved areas tend to be very strong. Central government transfers are often earmarked for specific capital expenditures for infrastructure, but maintenance is provided under a general block grant which can then be used for many competing needs.

Informal financing of infrastructure, whereby private citizens contribute time, money, and technical expertise to build and maintain community infrastructure where governments have failed, is attracting increasing attention. Residents of the Orangi district of Karachi, Pakistan, have invested money and labor to install a sewerage system and build schools, health-care posts, and other facilities. In Lima, Peru, local community associations have financed such public works through informal taxation. Throughout Vietnam, commune residents have assumed the responsibility for maintaining local infrastructure through household contributions and in kind payments (most notably, labor).

Regulation: The central government usually plays a coordinating role in setting standards and monitoring compliance. This ensures compatibility and consistent quality across the national network and enables a wide variety of potential service providers. The outcome of decentralizing regulation depends on the political circumstances. On the one hand, turning regulatory authority over to local governments will generally facilitate the adaptation of regulation to local conditions and preferences. On the other hand, devolution can lead to interest group capture if local

governments do not have adequate regulatory capacity and broad-based accountability mechanisms are not in place.

An Enabling Environment for Effective Local Provision

Decentralization's potential impact on infrastructure performance is quite similar to its impact on other sectors: it depends largely on the degree of subnational political and financial autonomy, whether accountability is well established, and whether the correct incentives are offered for a long-term view of infrastructure investment, maintenance, and use. Because decentralization increases the number of actors involved in infrastructure provision, the institutional settings and range of incentives on subnational governments increase and more attention must be paid to the signals implicit in financing arrangements, regulatory structures, and other interactions between levels of government and citizens. Some core elements of successful institutions for decentralization include accountability and technical support.

Accountability

The links between the central government, local government, the private sector, and citizens must be designed to ensure that providers of infrastructure are accountable to those who pay for the services as well as those who benefit from the services. Participatory mechanisms should be structured so that the entire community can participate in infrastructure decisions, particularly regarding location and financing issues which have substantial distributive implications. Enhancing the availability of public information regarding budgetary and procurement decision making is important for community participation and accountability. The World Bank's Economic Development Institute is currently conducting workshops with local governments worldwide to enhance participatory budgeting and open procurement processes.

Technical Support

Inexperienced subnational and local governments often require some form of technical support as they take on new responsibilities. Local governments' technical capacity varies widely across jurisdictions, and national assistance may be required to maintain consistent infrastructure quality.

A variety of public-private partnerships can be useful in building up local capacity. Colombia, for example, met these technical needs in several ways when it devolved primary responsibility for the provision of drinking water and sanitation services to local governments in 1987: it contracted training out to nongovernmental organizations, private consultants, and universities in addition to drawing on public sector specialists from the Ministry of Public Works and Army Corps of Engineers.

Technical support is particularly important in maintaining regulatory quality during decentralization. Among possible arrangements are training programs run by national agencies, mutual assistance through regulatory associations (such as the U.S. National Association of Regulatory Utility Commissioners), and twinning relationships that pair inexperienced regulators with more experienced domestic or international regulators.

Decentralization and Infrastructure Performance

Available data and cross-country studies indicate that decentralization can have varied effects on the infrastructure sector. (Table 2) Choices about the optimal level of decentralization are sector- and country- specific.

Estache and Sinha (1995) show that both aggregate and subnational infrastructure expenditure increase as decentralization proceeds, particularly in developing countries. This could be an indicator that local governments prefer more infrastructure than would have been provided by the central government, but it could also be a sign that infrastructure expenditure is not as efficient.

Humplick and Estache (1995) find that performance indicators generally improve slightly or stay the same when infrastructure sectors are decentralized, although they do observe a few negative effects (the strongest being lower labor efficiency in the electricity sector). They also show that decentralization can result in more variable performance across jurisdictions, but it is not clear whether this is a symptom of varying local capacity or of varying local preferences.

Table 2. Main Effects of Decentralization on Roads, Electricity, and Water Supply

Sector	Desirable effects	Undesirable effects	Neutral effects
Roads	Condition of *unpaved* roads improves. Overall performance of roads improves.		Condition of *paved* roads is unchanged. Share of *paved* roads in total network is unchanged.
Electricity	Generation capacity improves. Tariffs are lower.	Number of employees per gigawatt/hour is high if there is no vertical unbundling.	Customers served per employee unchanged. System losses unaffected (but spatial decentralization preferred to functional decentralization).
Water Supply	Percentage of water loss decreases.		Production costs unchanged. Operation costs unchanged. Percent access to service unchanged Incidence of water borne diseases unchanged.

Source: Estache and Humplick 1995.

Chapter 1
Territorial Decentralization: An Obstacle to Democratic Reform in Central and Eastern Europe?*

Michal Illner

The transformation of the territorial structure of government—its decentralization, particularly the introduction of territorial self-government—was considered an essential task in the process of rebuilding political and administrative systems in Central and Eastern Europe after 1989. Indeed, the reforms of territorial government followed closely after the collapse of the Communist regimes and after the transformations of the constitutional bodies and central governments in 1990.

In this chapter, I will discuss the decentralization dimension of the reforms in three Central and Eastern European countries—the Czech Republic, Hungary, and Poland. I will focus on some aspects of its intellectual and political background, on the expectations it has created, on the results it has so far delivered, and on the problems it has created. The issue is highly relevant in the context of postcommunist development because the territorial decentralization of government, a cornerstone of the first transformational programs, did not materialize as expected. The reforms aimed at decentralization were halted halfway through the process, and recently more centralist policies have been introduced in the region. A debate is under way in Central and Eastern Europe, in both theoretical and political forms, on the merits and feasibility of territorial decentralization and on the emerging recentralization.

As far as possible, I will approach the situation in the three countries summarily; although, in reality three individual and not entirely identical national reforms and discourses are concerned.[1] For the sake of brevity, and with a certain license, the three countries will be referred to here, as Central and Eastern Europe; this is obviously inaccurate as there are more countries in the region, which, anyhow, is poorly defined.

In administrative reforms anywhere, the searche for an optimum vertical territorial structure of government and for optimum government areas has always been a highly relevant issue. As a rule, institutions of government are designed to act on more than just one geographical level—they are organized into several territorially defined tiers. Besides the national administrative institutions, there exist institutions operating at subnational levels as well—typically a regional (intermediary) level and local level. The need for such a multitiered structure has been supported by two lines of arguments, each referring to a different aspect of a modern state (Taylor 1993, 317-18).

First, as bureaucratic organizations, governments have to deconcentrate some of their functions along the geographical scale in order to attain higher efficiency, both internal administrative

* This chapter is based on a study "The Territorial Dimension of Public Administration Reforms in East-Central Europe," which was prepared by the author for the Centre for European Studies, Nuffield College, Oxford University, within a project coordinated by Professor J. J. Hesse. It was previously published in the *Polish Sociological Review* (vol. 1., no. 117 [1997]: 23-45) and analyzes a situation that had existed in the Czech Republic, Hungary, and Poland until mid-1996.

efficiency and efficiency of service provision. Deconcentration is understood as a process whereby governmental functions are shifted downward within the hierarchical system of state bureaucracy, yet without weakening the vertical hierarchy of the system—deconcentrated units remain vertically subordinated to central authorities. It is argued that deconcentrated units of government, being nearer to the field of their operation than the core units, can act with a better knowledge of situations, can better communicate with the parties involved, and are better disposed to implement administrative decisions.

Second, central governments decentralize some of their functions to subnational governments in order to support their legitimacy. Decentralization means the devolution of functions of state to autonomous territorial governments that can act, within the scope of decentralized functions, on their own behalf, without recourse to higher-standing authorities. Decentralization may be based on two alternative theoretical models, each expressing a different philosophy of state building. One argument (e.g., classical nineteenth-century conservative ideologies) is the top-down reasoning that views local and regional government as being derived from a central authority, enjoying the level of autonomy that was granted to it by the central state and promoting state interests on a local level.

Alternatively, the existence of a "local state"—the political form of a local or regional community—can be explained and supported by federalist bottom-up arguments (e.g., liberal theories of government): the local state as a political form of local or regional community is primary, while any higher-level governments are derived from it and enjoy discretions ceded to them from below.

Decentralization is usually underpinned by functional arguments, again drawn from different theoretical/ideological contexts: it is maintained that a decentralized government promotes citizen participation; is more responsive to the concerns of citizens and more able to find solutions acceptable to them; provides opportunities for the development of a new elite; is a counterweight to the authoritarian state; gives an opportunity to experiment with new structures and policies (Baldersheim et al. 1996, 4); is most effective and efficient in delivering services to meet local needs; creates a sense of place or community (Goldsmith 1992); and is an element of "civil society" or a bridge linking civil society to the central state. It is, therefore, the efficiency, the effectiveness, and the concerns surrounding the legitimacy of the government that stand behind territorial deconcentration and decentralization.

In practical terms, irrespective of theoretical and political underpinnings, territorial decentralization and deconcentration are manifested in the way two principal issues concerning the territorial aspect of government are dealt with: (1) the number, character, competencies, and mutual relations of territorial tiers of government and (2) the character, number, and concrete delimitation of areas of government representing each tier. It is the approach toward solving these two issues, as well as the theoretical and political embedding of the approach, that is the focus of the decentralization debate in Central and Eastern Europe.

To understand the dispute, one has to be aware of the context of the recent decentralization efforts in the postcommunist countries of the region. In particular, three sets of socio-political contextual factors influenced territorial reforms: (1) the political, administrative, and psychological legacies of the Communist era; (2) the prevailing expectations toward

decentralization; and (3) the political context of the reforms. In some respects, these factors were common to the three countries; in other respects, they varied.

The Centralist Legacies of the Communist Era

Communist regimes in Central and Eastern Europe considered it a priority to seize political control of territorial governments when they were coming to power in the 1940s. In the process, territorial governments were remolded according to the "soviets" model to become councils. Territorial governments were established on the local level (rural and urban municipalities), district level, and regional (provincial) level. Their organizational structure was much the same in all Central and Eastern European countries: an elected assembly, an executive board elected by the assembly and headed by a chairman, several committees composed of deputies, and an administrative apparatus. At each level, the executive board and the administrative apparatus were subordinated simultaneously to organs of the higher territorial tier and to their own council—the principle of "dual subordination."

As an integral part of the system of Communist political power in Central and Eastern Europe, the new territorial governments respected two basic doctrinal rules of this system: the principle of "democratic centralism" and that of "homogeneous state authority." The main features of the system are characterized below (*cf.* Vidláková and Zárecky 1989; Illner 1991a, 23-4; Swianiewicz 1992; Coulson 1995b, 5-9; Baldersheim and Illner 1996a; Elander 1995, 5-7).

1. The system was not democratic. The elected bodies were created more by nomination than by true elections. Although elections were held regularly and a democratic facade was maintained, in reality they were a formal affair, more a manifestation of political loyalty than voters' choice. There were no competing candidates, and the way the ballot was organized rendered secret voting impossible.

2. Real decision-making power within the system resided with the Communist Party bureaucracy. Territorial governments, their functionaries, and their personnel were under the permanent control of the Communist Party. The posts of councilors and officials of the territorial government belonged to the nomenklatura, which meant that the persons occupying the posts had to be approved by the responsible Communist Party authorities.

3. The system was centralist, and any authentic territorial self-government was excluded. Important issues of local and regional development were decided and financed by higher-level territorial administrations or by the central ministries. Higher levels of authority could suspend decisions or even dissolve a local council, according to the principle of dual subordination.

4. In the system, territorial government lacked sufficient economic and financial foundations. Local finances were part of the state budget. The bulk of local revenues represented central grants, and the powers and financial resources left in the hands of territorial governments were extremely restricted. Communal property did not exist—lands, buildings, and infrastructure were just part of state property, which was administered by territorial governments.

5. Public administration and self-government were amalgamated into a single system based on the ideology of democratic centralism. According to this ideology, no contradictions could, by

definition, arise between the "real" interests of the state and the interests of its territorial subsystems because they were all supposed to express the interests of the working class. A single political and administrative body-the local version of the soviets—was, therefore, made responsible for advocating both local and central interests.

6. The system's ability to provide horizontal integration within and among administrative areas was weak. This problem was due to the preponderance of vertical relationships both in politics and in the economy, where a sectorial perspective was by far the most important. As a result, a territorial unit was administered more as an aggregate of local or regional outposts of individual economic and administrative agencies than as a complex socioeconomic organism.

As it was pointed out by some authors (cf. Illner 1993; Elander 1995, 6-7; Coulson 1995b, 9), there was a difference between the official ideological model of territorial government under Communism and its real-life face. An example is the erosion of territorial government by economic organizations. In spite of the formal competencies of territorial governments, which by law were responsible for the complex economic and social development of their territories, the vertically organized and centrally controlled economic structures (industrial and other enterprises and their associations as well as economic ministries) assumed a strong and sometimes decisive influence in local and regional issues. Enterprises, which frequently commanded much greater resources than territorial governments, assumed a wide range of public sector responsibilities commonly belonging to the territorial administration. In some places, enterprises even became the main sponsors of local development, making territorial authorities ultimately dependent on them. The political and economic relevance of territorial government was thus undermined not only by centralism but also by the increasing strength and patronage of economic organizations (*cf.* Illner1992; Benzler 1994).

Another example concerns the degeneration of the centralist command system into a client-based structure. As elsewhere, the bureaucratic system of vertical subordination in territorial government proved ineffective and degenerated into a system of networking and negotiation where lines of personal influence and negotiating skills played an important role (Coulson 1995b, 9).[2] As noted by Illés (1993), there has been a widespread tendency in Hungary to represent the local and regional interests of the Communist Party and state apparatus through local townsmen and through other methods of extensive lobbying. In all of Central and Eastern Europe, contributions to municipal and regional infrastructure and services were usually negotiated informally, either within the local nomenklatura as a trade-off between its various groups or with higher-level political and administrative bosses (Tarkowski 1983, 47-73; Illner 1992, 42). Although theoretically there should have been no room for the representation of local and regional interests within the system, in reality it constituted a major characteristic (Illés 1993).

Neither was the system of territorial government entirely static during the forty years of Communist rule. In each of the countries, several reform measures were introduced that were intended to adapt the system of territorial government to a shifting political climate as well as to newly emerging functional needs. The reforms featured both centralist and decentralist tendencies. For example, the Czechoslovak reforms of 1961, the Polish reforms of 1973-1975, and the Hungarian reforms of 1984 fundamentally changed the territorial structure of public administration and contributed to its centralization.[3] On the other hand, other reforms introduced

modest elements of decentralization and democratization; although, the changes were never such that would touch on the fundamentals of the system. Still, discussions on the contours of a serious systemic reform of territorial government were already under way in all three countries some time before 1989. It would thus be misleading to view the forty years of the Communist regime as a monolithic period without any internal dynamism and differentiation as far as territorial government is concerned.[4]

Besides the institutional and political legacy of the Communist system of territorial government, the post-1989 reforms also faced a legacy of political culture characterized by:

1. a separation of the private and the public spheres; a popular distrust of institutions, of any political representation, and of formal procedures; as well as an unwillingness on the part of citizens to get involved in public matters and to hold public office

2. a paternalism that was characterized by a belief that local needs should be and will be taken care of by extralocal actors, usually by higher standing authorities (the state or the region), and that the proper strategy to attend to these needs is to mobilize support of external patrons

3. a popular feeling of being chronically disadvantaged, of the community being neglected by authorities (be they central, regional, or whichever), and of members of the community being handicapped vis-à-vis their neighbors[5]

This set of attitudes, in its time a functional and spontaneous reaction to the pressures of an authoritarian regime, became a difficult heritage that complicated democratic reforms after 1989 (see Rose et al. 1995 for the manifestation of these attitudes in local politics). These attitudes receded temporarily during the 1989-1990 wave of public participation but were partly restored thereafter.

Aside from the legacies of the Communist system, the older, precommunist traditions of public administration also played some role in the 1990 reforms. Territorial government has quite a long history in all three Central and Eastern European countries, and the precommunist system has been an inspiration for reformers. In the territories that belonged to the former Austro-Hungarian monarchy (the Czech Lands, Hungary, and Galicia), modern territorial administration was founded in 1862. With modifications, this system was maintained in both countries until 1945, and it served again as the point of reference for recent reforms. In Poland, which until 1918 was partitioned between its three neighboring imperial powers, elements of the Austro-Hungarian, Prussian, and Russian legal systems coexisted after reunification until the 1930s, and here the Austrian and the German systems of territorial administration were the largest inspiration for the reforms of 1990.

Expectations toward Decentralization

From 1988 to 1990, when the reforms were contemplated and their first stages implemented, euphoric expectations concerning democratization, the reparation of earlier injustices, and the fulfillment of diverse political and social ideals and ambitions were prevalent. Many such expectations and values were associated with the reform of public administration, and some of

them influenced its conception.[6] Localism, regionalism, and communitarianism were among such influential streams. Their roots were varied.

Localism,[7] regionalism, and communitarianism were ingredients in the thinking of some groups among the anticommunist opposition who conceived the future postcommunist society as composed of different kinds of self-governing units applying direct democracy and thus escaping bureaucratization as well as the traps of party politics. Some anticommunist opposition groups, particularly in Poland after Jaruzelski's coup of 1980, had hoped that the change of regime would begin at the local level because the top-down process seemed forlorn. Furthermore, localism was a reaction of the population and the local elite to the centralism applied by the pre-1989 regime, particularly to its effort to streamline the settlement structure by a reckless application of a centralized system[8]—many rural municipalities lost their administrative status after the 1960s, as amalgamations were forced on them from above, which antagonized their inhabitants.

Localism, regionalism, and other forms of stressing the territorial dimension of social organization were also a reaction to the tendency of the Communist regime to enforce economic organizations as the backbone of social life. Furthermore, old territorial feuds[9] and perceived injustices (many originating in the precommunist era) concerning the acknowledgment and boundaries of administrative areas, seats of local and regional governments, fuelled localistic and regionalistic attitudes.

The reform was viewed by the local and regional elite as an opportunity to reopen and renegotiate old issues. In addition, one further root of localism was found in a conservative reaction to the modernization process. This reaction has been expressed in the radical ecological thinking and the social movements associated with it—the "small is beautiful" ideology, antiurban and prorural values, etc.

Among expectations that shaped attitudes toward reform were also those concerning its supranational "European" dimension. All three countries of Central and Eastern Europe endeavor to be integrated into Western European international and supranational institutions—the European Union being the best example. It is acknowledged that the structural adaptation of these countries to Western European standards is one of the most important prerequisites to successful integration. As far as the territorial administrative structures of these countries are concerned, it has been frequently mentioned that particularly the regional level should be designed to be compatible with the regions in Western Europe, to have the ability to associate and compete with them in transnational structures of inter-regional cooperation, and to participate in European regional programs. These "European" ambitions and the vision of the future "Europe of the regions" have thus produced another strong set of expectations concerning the decentralizing effects of reform.

Localism and regionalism were manifested by a strong desire for local and regional autonomy[10] and self-government and by the high value attributed to the local community and things local and territorial in general. After 1989, localism and regionalism generated high (often unrealistic) expectations with regard to the potential benefits of decentralization, particularly of local self-government (*cf.* the "myths" of local self-government as they were identified by G. Gorzelak [1992]).

Political Context of Decentralization

As already mentioned, the democratizing and decentralizing reforms of territorial government, or rather their first stage,[11] were an essential component of the overall political transformation in Central and Eastern Europe after 1989, and they followed closely after the regime change. Expediency was an important factor in the implementation of the reforms: the need to build a new system of territorial administration in the postcommunist countries of Central and Eastern Europe was viewed as a political task that could not be postponed—a delay would have had a negative impact on economic and political components of the transformation.

The reforms and new local elections were intended to facilitate a displacement of the old local and regional political elite and thus undermine remnants of Communist power in the provinces.[12] The reforms had a strong symbolic meaning, as they were a way to legitimize the new power and demonstrate that things have moved away from the previous circumstances. Therefore, little or no time was afforded for testing optimum solutions,[13] and consequently the risk of wrong steps was high. Political concerns were primary; administrative and economic concerns were of secondary importance in this context. While the overall function that the reforms fulfilled in the political transformation was basically the same in the individual Central and Eastern European countries, the more immediate situational contexts of the reform measures were different in each.

In Hungary, reforms were preceded by several years of discussions and preparatory legislative work, which began in 1987 when Hungary was still under the Communist regime and was supported by the reformist wing of the Communist Party (Péteri and Szabó 1991; Wollmann 1995). The postcommunist reform of territorial government was continuous, negotiated, relatively well prepared, and implemented mostly by consensus. It was marked by a well-elaborated economic component.

The situation was different in Poland, where the reform was a battleground between the opposition and the Communist authorities. In the 1980s, establishing a self-governing republic was a programmatic goal of the Solidarity movement in its struggle against the Communist regime (*cf.* Benzler 1994, 315-17). The strategy of the opposition was to erode the regime from the bottom level. Ideas concerning the system of local self-government were developed in discussions among intellectuals during the 1980s and were supported by numerous empirical studies undertaken within the research program "Local Poland and Territorial Self-Government within a Framework of a Reform and Reconstruction of Space Economy," which was a state-sponsored research program in Poland in the 1980s. The democratization of local governments and the promotion of free local elections were among the key issues in the 1988-1989 round-table negotiations between Solidarity and the Communist authorities. While the negotiations on this issue ended in a stalemate, they helped to clearly define the position of Solidarity. This process helped to prepare an agenda for the new Senate that was democratically elected in mid-1989 and immediately began to draft the new legislation on local self-government (Benzler 1994, 318).

The Czech Republic was a different case, where all serious steps toward decentralization were taken only after the fall of the Communist regime in November 1989. Before 1989, discussions among experts and intellectuals took place, critically motivated research by the local administration was undertaken (*cf.* Illner and Jungmann 1988; Premusová 1989), and some half-hearted

ameliorations of the territorial government were made by the Communist authorities; yet, no consistent reform policy was either formulated or implemented. The reason for this was the rigidity of the regime which, after the occupation of the country by the Warsaw Pact armies in 1968, was more severe than the regimes in the other two countries. There was no thawing period after 1968 that would allow discussions on the decentralization issue. It has been stated that among the three countries of Central and Eastern Europe, Czechoslovakia was the least prepared for institutional reform in 1989 (Davey 1995a, 42), and its preparation had to be compressed into the nine months between the fall of the Communist regime and the new local government legislation of September 1990.

The Unfinished Territorial Reforms

The postcommunist reforms of territorial government took place in all Central and Eastern European countries in 1990, and several finishing steps have followed since then. The main aim of the reforms was to break away from the Soviet-type system of territorial administration and to institute a democratic local government. Decentralization, deregulation, and de-etatization of public administration were the dominant aims. Territorial self-government was introduced in urban and rural municipalities (also on the regional level in Hungary) and separated from public administration. The reform has instituted a new structure of municipal organs and a new regulation of resources. Democratic local elections were held in 1990, and new local governments were formed.[14] The three territorial reforms had many common traits, but they differed in many respects. It is the parallel effort of all three countries to get rid of their common totalitarian heritage and to establish a democratic territorial administration, as well as their cultural and social proximity and partly shared histories, that explains the commonalties. It is the different geographies, different national brands of communism, different circumstances in exiting from communism, and also the divergent elements of their cultures and social systems that account for the differences.

In all three countries, the most successful part of the reform of public administration was that which concerned local government. Local self-governments in villages and towns, two rounds of democratic local elections (in 1990 and again in 1994), increased local activism, as well as the generally positive attitudes of citizens toward the new local authorities bear witness to this fact. Sociological surveys indicated that confidence in the new local governments and satisfaction with their activity were rather strong (at least during the first years after the reform).[15] Yet, two major issues have been left unresolved by the reform measures: extending decentralization to the regional level (particularly in the Czech Republic and Poland) and dealing with territorial fragmentation on the local level (particularly in the Czech Republic and Hungary).

While that part of the reform which dealt with local governments was a success, the same cannot be said about the reform of regional (intermediate) government. Fewer innovations were introduced here, and the old administrative structures and areas were mostly preserved. Without this issue being solved, territorial decentralization cannot be considered complete. Furthermore, another problematic aspect of decentralization has been territorial fragmentation in the Czech Republic and Hungary. The splitting of existing municipalities into smaller independent units fulfilled local ambitions and enhanced local initiatives and local feelings. It was an understandable and, perhaps, unavoidable component of the democratization process. But fragmentation, at the same time, became or can soon become a source of major problems and, unless compensated,

may jeopardize the success of the reform process. Let us now briefly look at the situation in the three individual countries of the region as far as the above two problems are concerned.

The Czech Republic[16]

The most important missing component in the transformation of the public sector in the Czech Republic is the absence of reform at the intermediate level of government (Hesse 1995c; Baldersheim and Illner 1996b). Although regional (provincial) governments and administrations were abolished in 1990 (a step that, in retrospect, seems too hasty and, perhaps, not quite inevitable), the old system of state administration at the district level has remained largely intact. The administrative bodies of the former District National Committees now operate as district offices, but they have no elected counterparts. District offices thus tend to become uncomfortably strong arms of the central government and vehicles of centralism. On the other hand, the higher-level regional government (the former regions [provinces] is missing, although the establishment of higher-level territorial government (provinces or lands) was foreseen by the Constitution of the Czech Republic of 1992.

The absence of regional (provincial) government is detrimental for both functional as well as normative reasons (Hesse 1995c, 7-16; Zárecky 1996):

1. There are a number of regional problems that cannot be properly treated at the district level and need a wider territorial framework, for instance, many environmental issues and issues of spatial planning.

2. The absence of regional-level administration justifies the existence of "decos" (deconcentrated agencies of the central government), which complicate intergovernmental relations and partly duplicate the existing district offices (Hesse 1995a).

3. The reform of public administration was designed as a system that included the upper tier of territorial self-government; without this element, its architecture is incomplete.

4. The provisional situation when an integral part of the Constitution fails to he enacted questions the authority and legitimacy of the present arrangement, creates a state of liability, and may induce legal nihilism.

5. The absence of regional-level self-government contributes to the growth and overload of central bureaucracies and to excessive etatization of the public sphere.

6. Dissatisfied regional interests accumulate, creating a politically explosive situation.

While options have already been formulated, analyses performed, and several alternative pieces of legislation drafted, all of the above issues are still contested in the political arena. The political will to make a decision has been missing.

Czech lands have always had a highly fragmented settlement structure and a correspondingly fragmented structure of local government. The number of local governments (municipalities) was essentially stable during the first half of this century, until the 1950s when it began to fall due to the depopulation of rural areas, the territorial expansion of cities, and the forced

administrative amalgamation of smaller places. This process has been radically reversed since the beginning of the 1990s. The post-1989 localism (see above), together with the liberal provisions of the new 1990 Act on Municipalities enabling an easy separation of those parts of the existing municipalities that have decided for administrative independence—contributed to a far-reaching, spontaneous fragmentation of the existing territorial administrative structure. Many municipalities that had been amalgamated in the earlier years split again into their original parts. The previous amalgamation was rejected as an act of centralism by the municipalities involved, and the renewal of their political and administrative identity was viewed as a priority in the restoration of local democracy. Criteria governing economic and organizational rationality seldom played a role in such decisions. The number of municipalities increased by 51 percent during the period from 1989 to 1993 and reached 6,196 by 1 January 1993. The process of fragmentation has continued after 1993 (the last year for which we have data), though at a slower pace.

Hungary[17]

The Hungarian reform of territorial government was the best prepared, the most comprehensive, and the most liberal among the territorial reforms in postcommunist Central and Eastern Europe. It was the only reform process that introduced self-government on both the local and regional levels.[18] Despite these facts, several issues remain outstanding.

Again, as in the Czech Republic (although different in nature), a set of problems is clustered around regional-level administration and intergovernmental coordination. The competencies of the present counties, a product of a political compromise reached in 1990 during discussions on the Local Government Act, are clearly insufficient and ill defined. The competencies are substantially smaller compared to what they were before the 1990 reform. This seems to be a real problem given the fragmentation of local governments that counties should, at least partly, compensate for through coordinating and taking over responsibility for supralocal services. Moreover, the proliferation of deconcentrated state agencies within the power vacuum left after the withdrawal of county governments strengthens the power of the central state and contributes to the segmentation of territorial administration.

Also, as in the Czech case, overcoming the consequences of territorial fragmentation is one of the outstanding issues. Many settlements reasserted their rights to local self-government in 1990, so that the number of municipalities nearly doubled in a short time (from 1,607 municipalities prior to the reform to 3,108 in 1993). The causes of fragmentation were the same as those already mentioned in the Czech case—the splitting of municipalities was mainly a reaction to earlier forced amalgamation.[19]

For the first twenty-five years, the number of villages with their own councils was decreasing—most sharply at the end of the 1960s. The trend was completely reversed after 1990, and within a short time the number of independent villages was back where it used to be in 1962. In Hungary, settlements were completely free to form a self-government authority if they so decided. As a result, more than one half of the total number of municipalities have less than 1,000 inhabitants.

The difficulties caused by fragmentation are described below—one doubts if the small municipalities are really capable of performing all the functions that they were assigned by the

generous reform process. Hungarian legislation provided several methods to cope with fragmentation (Davey 1995b, 69-70) through intermunicipal cooperation. One of these methods is compulsory (the smallest local authorities are required to set up joint administrative offices, which are obliged to employ qualified notaries), others are optional. It seems, however, that these instruments are not applied as they should be, and local governments display a rather negative attitude toward intermunicipal cooperation and integration (Illés 1993, 6). Administrative fragmentation thus remains a major problem.

Poland[20]

Most commentators agree that the Polish reform of territorial government is incomplete, and its future is uncertain (Hesse 1995a, 254). While on the local level the transformation of government has been mostly completed and the new local governments can be considered successful, the situation on the intermediate level needs further attention.

The sore point of the Polish reform process is the intermediate level where two mutually interconnected issues are on the agenda. One issue is the reform of contemporary provinces *(voivodships)* established in1975 by the Communist government, mainly for political reasons, which were essentially untouched by the 1990 reform.[21] A reduction of their number and an increase of their territories have been proposed (Hesse 1995a). In redrawing the boundaries of the provinces, more attention should be paid to historical traditions and territorial economic relations. The other issue is a plan to reintroduce districts *(powiats)* as a second level of territorial self-government and as another tier of the territorial division of the state. The establishment of such districts was already announced in 1993 but later, after parliamentary elections, withdrawn by the new government, together with the pilot program intended to introduce the first stage of reform. This withdrawal, understandably, caused an outcry among adherents of the reforms and created an atmosphere of instability as far as the further development of territorial administration was concerned. In 1995-1996, the district issue was reopened during the drafting of a new constitution, thus far without conclusive results. In addition, contradictions and ambiguities exist in the legislation with respect to the delimitation of responsibilities and cooperation between municipalities and provinces (Benzler 1994, 323-4).

Unlike in the Czech Republic and Hungary, fragmentation of local governments has not been much of a problem in Poland. The number of municipalities has remained relatively stable over the last twenty years (2,452 units in 1993, compared to 2,375 units in 1975), and a wholesale disintegration did not accompany the reform process. Also, the size of municipalities is much larger than in the two other countries and is more acceptable in terms of sustainability. Poland, a country with a population four times larger than that of the Czech Republic, had less than one half of the Czech number of municipalities.

The Decentralization-Centralization Cleavage

In all three countries, it was understood that a second stage of territorial reform to follow would tackle regional government; yet, this has not happened, and the continuation of reform is still pending. The extended provision, as far as regional-level administration is concerned, does not permit the overall architecture of the reforms dealing with territorial government to be finalized

and perpetuates the existence of many gaps and vague points in the legislation, as well as creating a mess in intergovernmental relations. As mentioned earlier, the provision also creates political tension fuelled by a dissatisfied regional elite. At least four reasons for this development should be mentioned:

1. The intermediary authorities were the most discredited element of the Communist territorial government and were the target of the fiercest criticism after the regime collapsed—resentments still block their reintroduction.

2. The momentum of the territorial reform was lost after most of the postrevolutionary enthusiasm had been spent on the reform of local governments—time is no longer on the side of decentralization.

3. Political actors perceive the reform of regional-level administration as more relevant to the distribution of political power than was the local reform, and it became, therefore, intensely disputed—conflicts have lead eventually to a political stalemate that blocked further progress.

4. It is difficult to design the regional tier of public administration unless the shape of the local tier has been stabilized. Given the highly fragmented and, therefore, still unstable structure of local government in the Czech Republic and Hungary, it may be premature to fix the regional-tier administration in these two countries.

In addition, decentralists would argue that the new central governments, irrespective of their political shade, intentionally delayed or even torpedoed the continuation of the reform process on the intermediate level because of fears that they would have to give up some of their prerogatives and would lose control of the country's development (*cf.* Regulska 1995). As noted by Baldersheim and Illner in the case of the Czech Republic, the reluctance of the Czech ruling conservative party to continue the territorial reform and establish regional-level governments has a deeper political and ideological background: "Pragmatically motivated fears of societal fragmentation and loss of central control in a still transforming society have been mixed with ideological arguments casting doubts on the relevance of any political institutions that stand between a citizen and the state, apart from political parties" (Baldersheim and Illner 1996b).

Fears that the extension of territorial self-government to the intermediate level could pose a challenge to the current distribution of political power in the country is one of the factors that stand in the background of such apprehensive attitudes (Hesse 1995a, 15). Some authors and politicians (e.g., J. Regulski and M. Kulesza in Poland and J. Jezek and J. Kalvoda in the Czech Republic) view the missing regional-level decentralization in Central and Eastern Europe as a real stumbling block for the progress of postcommunist transformation.

However, a tendency toward maintaining some degree of centralism or even toward certain recentralization can be observed in the region. Besides doctrinal arguments, and the not-so-surprising behavior of bureaucratic structures, this tendency has the following four main causes, which stem from the specific situation of the transforming that countries (*cf.* Elander 1995): (1) the need of the central government to maintain control of economic and political development in the still volatile postcommunist transformation; (2) the need to control the distribution of scarce resources during a transformational recession or outright crisis; (3) the

need to control economic and social differences among territorial units, so as to prevent the marginalization of some regions and the resulting social and political tensions that would endanger the new regime; and (4) the need to formulate policies aimed at maintaining national integration in a general atmosphere of societal fragmentation, resulting from the transformation processes.

None of the above factors can be easily dismissed, and the arguments for maintaining a certain level of centralism and even applying some corrective recentralization in Central and Eastern Europe seem to be well founded. The rationale for such a position can be well supported by illustrating the negative consequences of the fragmentation of local governments that took place in the Czech Republic and Hungary after 1989 (see above).

The exaggerated and romantic localism (and regionalism) of the pre-1989 movements as well as the exaggerated ambitions of the local elite during the early period of the transition generated many unrealistic expectations regarding the potential benefits of territorial decentralization, autonomy, and self-government, and they contributed to the fragmentation of the territorial structure of government that took place particularly in the Czech Republic and in Hungary after 1990. Commenting on the Polish situation, G. Gorzelak (1992) identified six myths about local government in the postsocialist countries that contributed to false expectations: (1) the myth of local autonomy (unrealistic expectations toward the potential of local autonomy and the rejection of any central involvement in local affairs); (2) the myth of prosperity (the belief that economic autarky will guarantee the prosperity of local communities); (3) the myth of property (the belief that the restoration of municipal property will in itself guarantee local development); (4) the myth of omnipotence (the belief that municipalities are both entitled to and capable of deciding all local problems by themselves); (5) the myth of eagerness (the belief that zeal can compensate for knowledge and skills in local politics and administration); and (6) the myth of stabilization (the belief that stable conditions are what local governments should and can attempt to reach). Gorzelak's observations, inspired by the Polish scene, can be easily generalized to all three countries of the region.

As noted by numerous authors (e.g., Illner 1991b, Barlow 1992; Hesse 1993), the tiny local governments that were the result of the spontaneous explosion of the pre-1989 territorial structure are as a rule too small to function properly as political and as economic units. They cannot develop a differentiated political system with a plurality of interests and actors and are, therefore, prone to clientelism. What in small communities seems to be a positive neighborhood integration, might in reality become an oligarchic rule of a few families or of a small group of local influentials. Small communities cannot, as a rule, mobilize sufficient political and organizational resources to launch more ambitious projects, and they are far too weak as partners in negotiations with regional state offices. Their weakness facilitates centralist tendencies. Still more problematic is the small scope for socio-economic development. Economies of scale cannot be achieved within the framework of very small communities: narrow municipal boundaries constrain or impede the provision of municipal services, which are thus frequently duplicated and difficult to coordinate. With a fragmented structure and intermunicipal differences in the provision of services, it is difficult to attain equity (Barlow 1992, 62-3).

Overcoming the territorial fragmentation of local governments probably will be one of the prerequisites to the further success of the reform process. The effectiveness of local authorities in

the provision of services and the stimulation of local development, which depends on their size, may prove critically relevant for success. However, consolidation, which involves some degree of recentralization, cannot be achieved within a short period and cannot be decreed-any externally imposed amalgamation would be politically untenable. Territorial administrative systems in Central and Eastern Europe have to put up with the prolonged existence of small local governments. The issue is to strike a proper balance between the participatory aspect of local government, which speaks for the smaller municipalities, and the aspects dealing with economic and administrative efficacy and representative democracy, which favor larger units. A feasible way to overcome the extreme fragmentation is to design, encourage, and support intermunicipal cooperation (cooperation targeted on specific goals and the establishment of special districts), which might later lead to genuine amalgamation and stimulate such cooperation through state subsidies, fiscal policy, and advice. Some of these methods can be made obligatory. Hungarian legislation is quite inspirational in this respect.

Conclusion

Neither decentralization nor centralization are, of course, absolute values in postcommunist transformation. One-sided approaches whether the centralist legacy of the former regime and the centralist temptations of the new elite or the decentralist dreams of communitarians and the war cries of localists and regionalists—are hardly acceptable. The levels of decentralization and centralization have to be weighed against functional and contextual factors, and their optimum, rather than maximum or minimum, is to be sought.

Decentralization is, indeed, a stumbling block for postcommunist transformation in Central and Eastern Europe, yet in a more complex sense than it is usually assumed: both insufficient and excessive decentralization are the problems. On the regional level, decentralization is still an issue, and further reforms are expected. On the local level, the excesses of decentralization should be corrected.

Notes

1. This approach is reasonably justified as all three countries share similar legacies of the Communist past, in addition to some legacies of a more distant history, and they have been facing similar tasks during transition. Some cultural commonalties between the Czech lands, Hungary, and Galicia (the southeastern part of Poland) can be traced back to earlier times. Until 1918, these territories belonged to the Austro-Hungarian empire and shared similar institutions and a similar cultural climate.

2. Coulson remarked that "the centralized Stalinist system gradually collapsed into something more akin to a network of baronial fiefs, consisting of party bosses each engaged in the pursuit of their own ends." This, in his opinion, reflects a political culture that has older roots than communism in some countries of Central and Eastern Europe (Coulson 1995b, 9).

3. The Czechoslovak reform of 1961 introduced a new administrative regionalization of the country, which reduced the number of regional-level units (districts and regions), increased their size, and shifted many competencies to the ministries. The Polish reform of 1973-1975 and the Hungarian reform of 1984 abolished the intermediary units (the districts) and introduced a two-tier system of territorial administration. In Czechoslovakia, the possibility of introducing a two-tier system was also discussed in the 1980s but was never brought to life.

4. The territorial structure of public administration in Central and Eastern Europe in 1989, at the end of the Communist era, is outlined below. In the Czech Republic, there existed a three-tier system of territorial government: (1) municipalities (villages and towns), altogether 4,104 units; (2) districts, seventy-five units; (3) regions, seven units plus the capital. Hungary had a two-tier system: (1) municipalities (villages, joint villages, great villages, joint great villages, towns, join town-village municipalities, county towns, and joint towns), altogether 1,542 units; (2) regions (counties), nineteen units. In Poland, there were . two tiers: (1) municipalities (rural, urban and joint urban-rural), 2,383 units; (2) regions *(voivodships),* forty-nine units.

5. This political culture is the product of a much longer development than just the forty years of the Communist regime. In the Czech lands, it was also shaped by the Nazi occupation, by the interwar democratic regime, and by the long experience of suppressed national existence within the Habsburg empire. A greater part of this historical experience consisted of coping with external pressures of some kind and adapting to them.

6. Both for ideological and pragmatic reasons, establishing a self-governing republic was one of the key concepts in the program of the Polish Solidarity movement in the 1980s. Self-governing structures had to be established wherever possible, in the enterprises as well as in the territorial units, the subjectivity of which had to be strengthened (*cf.* Benzler 1994, 315-17). Based on a more philosophical grounding, this kind of thinking was close to the group of Czechoslovak dissident intellectuals grouped around Vaclav Havel.

7. High expectations toward the social and political impact of localism were frequently expressed in the late 1980s and early 1990s by Polish social scientists grouped in the research program dealing with local Poland and territorial self government. (*cf.* Jalowiecki 1989.)

8. In the Czech Republic, all settlements were categorized in 1971 according to five categories, and for each category a certain level of development was foreseen. Housing construction was regulated to comply with the categorization. In the the least preferred category of settlements, development had to be suppressed and case of gradual depopulation was expected.

9. B. Jalowiecki in his study on the 1990 Polish local elections mentions several examples of such ancient and persistent territorial feuds (Jalowiecki 1990, 136-7).

10. In the Czech Republic, the issue of regional autonomy was raised after 1989 by Moravian political movements and parties. Moravia is the eastern part of the Czech Republic and used to have considerable autonomy within the former Czech Kingdom. The background of the claim is regional, not ethnic. In discussions concerning the reform of regional-level government, these parties demanded that Moravia becomes an autonomous administrative and political unit and that it should be called a "land." These measures were supposed to restore the historical status of this region. Such aspirations have not found sympathy in the government, which feared that the Czech-Slovak schism may be replayed in the case of Moravia.

11. We prefer to view the measures of 1990 as the first stage of a more comprehensive reform of territorial administration, which continued in the subsequent years and has not yet been finished.

12. The abolition of the provincial tier of government in Czechoslovakia in 1990 may serve as an example. Its main purpose was political—to uproot the strong Communist establishment in the provinces. In terms of administrative rationality this step was not justified. The regional tier of government is missing as a proper level for the implementation of several agendas regarding public administration (e.g., environmental protection, regional planning, higher-order health services).

13. As mentioned, there was a difference between the three countries in terms of the preparation of the reform. In Hungary, with its relatively liberal atmosphere, serious discussions about reform began as early as 1987. In Poland, similar discussions followed one year later. In Czechoslovakia, reform measures had to be prepared within a few months in 1990.

14. The new system of territorial government in the Czech Republic was described and analyzed by a number of social scientists, notably Baldersheim et al. 1996c; Davey 1995a; Dostál and Kára 1992; Dostál and Hampl 1993; Hendrych 1993; Hesse 1995a, b, c; Hesse and Goetz 1993/94b; Illner 1991a, b; Kára and Blazek 1993; and Wollmann 1994. Some of the above contributions belong to "gray zone" literature that is not distributed through commercial networks.

Social science writings on the Hungarian reform of territorial government are abundant; although, just as in the case of the Czech Republic, "gray zone" publications are part of the literature. Without any ambition to be exhaustive, we list some of the English and German sources: Ágh and Kurtán 1995; Balderheim et al. 1996; Davey 1995b; Hesse 1993, 1995a, b; Hesse and Goetz 1992/93; Horváth 1991, 1994; Illés 1993; Navracsics 1995; Péteri 1991b; Péteri and Szabó 1991; Szabó 1990, 1992; and Wollmann 1994.

The Polish reform of territorial government is probably the most frequently analyzed and commented on among the postcommunist reforms in Central and Eastern European countries. This is due more to the dramatic circumstances under which the changes were first negotiated during the round-table discussions, to the importance attributed by Solidarity's strategists to transformation on the local level, and to the large number of scholars (both domestic and foreign) monitoring the Polish scene, than to the particular comprehensiveness or consistency of the Polish reform; in this respect, the uncontested primacy belongs to Hungary. We mention some social science contributions commenting on the Polish developments: Baldersheim et al. 1996c; Benzler 1994; Cielecka and Gibson 1995; Gorzelak 1995; Grochowski and Kowalczyk 1991; Hesse 1993, 1995a, b; Hesse, ed. 1993; Hesse and Goetz 1993/94a; Jalowiecki 1989; Jalowiecki and Swianiewicz 1991; Local Governments 1994; Regulska 1993a, b, 1995; Swianiewicz 1991a, c, 1992; and Wollmann 1994.

15. In spite of some fluctuations, citizens tend to have confidence in the new local authorities and have been mostly satisfied with their activity. In the Czech Republic, the ratio of those who had confidence in local governments to those who did not was 59:26 at the end of 1995. Local governments enjoy a relatively high rate of confidence compared with other political institutions. (The data are from the current surveys of the Czech Institute for Public Opinion Research.) In Poland, the same indicator was about 65:30, and authorities dealing with self-government were among the institutions that enjoyed the greatest public confidence. (The data are from the polish State Centre for Public Opinion Investigations, quoted from Cichocki and Cielecka 1995, 190. The time of the surveys is not indicated.) As for satisfaction, Czech data indicated that the ratio of individuals satisfied with local authorities to those dissatisfied was 50:26 in 1994. (The data are from the Czech part of the ISSP1994 module.)

16. The reform of local government and territorial administration was performed in 1990, and local elections were held in November 1990. The main aim of the reform was to break away from the Soviet system of territorial administration and to institute a democratic local government. Public administration was separated from the self-government of territorial units. The existing three-level system of the National Committees was abolished and substituted by the two-tier division of the Czech Republic, with a third tier pending. In urban and rural municipalities, territorial self-government has been introduced. (Municipalities are the only level on which territorial self-government has been established.) The reform measures have instituted a new structure of municipal organs and a new regulation of resources. The first local elections after the fall of the Communist regime took place in November1990, the second in 1994. The electoral system followed the rule of proportional representation.

17. The reform of territorial government in Hungary is the outcome of relatively long-lasting, continual, and systematic preparatory work, which had already commenced by 1989 and was made possible by the Hungarian brand of reform communism. The reform program itself was instituted in 1990, and its main principles were the same as those mentioned above in the case of the Czech Republic. However, the Hungarian reform program was more comprehensive and went farther than analogical reforms in the Czech Republic and Poland. In Davey's

opinion, legislation on local government in Hungary is the most liberal in Europe (Davey 1995b, 58). The reform measures tried to establish a system of local government that was nonhierarchical and decentralized, similar to the British or Scandinavian models (Szabó 1992, 7-8). Any hierarchical relationships between tiers of government were abolished, supervisory powers of the higher tiers were restricted, and local governments were given the right to levy their own taxes. It was particularly within the system of local finance where the reform was very advanced and elaborate.

18. Davey concluded his account of the Hungarian reform by stating that "local government reform has gone faster and further-a great deal further-in Hungary than in the other former socialist countries of Europe. Indeed, it could be said to be the only country in Central and Eastern Europe with a fully fledged system of local government already in operation" (Davey 19956, 74).

19. Péteri and Szabó stressed that the original idea of amalgamation was rational: implemented by the Communist regime in the wrong way and mistakes were made that had grave political consequences. The seat villages of joint councils were too dominant at the expense of other settlements. The development of these seat villages antagonized the inhabitants of the small villages, which were declining and being depopulated, against the consolidation scheme. (*cf.* Péteri and Szabó 1991, 74.)

20. As elsewhere in Central and Eastern Europe, the main thrust of territorial reform in Poland was to establish local self-government on the municipal level. This priority was supported by Solidarity's programmatic idea of a self-governing society, which had to be built bottom-up in Poland, beginning at the local level and proceeding to the regional and central levels (Benzler 1994, 315-6, 322-3). The reform was instituted from March 1990 according to the Act on Local Self- Government and a package of other bills that followed.

21. The 1990 Polish reform of territorial government was incomplete since the beginning: its focus was local self-government, while provincial administration was left aside. BenzIer (1994) explains that this was caused by the constraints that the opposition faced during the round-table talks with the Communist government. This half-heartedness constitutes the main weakness of the reform process.

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Chapter 2
The Decentralization of Human Services: An Example of the Transformation of Public Administration in Central and Eastern Europe

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The decentralization of power has played a significant role in the transformation of the social structure of the former socialist countries of Central and Eastern Europe. Shortly after the introduction of systemic changes at the national level, significant changes at the local level also occurred (Baldersheim et al. 1995, 24). Beginning in the early 1990s, one of the most urgent tasks of the new governments was to restructure local governments by decentralizing the public administration system. This process involved, first and foremost, the replacement of the Soviet councils of the Communist era with politically accountable local civil governments.

Administrative decentralization also necessitated a significant level of financial decentralization. The funding and financial conditions for autonomy, however, were created only after some delay. Hungary is somewhat different from other Central and Eastern European countries as the financial reforms were initiated during the second half of the 1980s, the last years of the socialist system.

Following the decentralization of the political, administrative, and financial roles of government in Central and Eastern Europe, service decentralization needed to be tackled. As a result of market pressures, local service provision was forced to change. The ability of consumers to demand higher-quality services created an increasingly competitive environment for the provision of these services. This was especially true in the field of human services, where market pressures forced local governments to search for innovative reform measures.

In the following pages, the role of social service provision in contributing to the creation of local democracy and civil society will be examined. In order to provide concrete examples of the complexities of this transition, Hungary's experience will be highlighted. Comparative analysis, statistical processing, and empirical data serve as the basis for the study.[1]

The Process and Contradictions of Political and Administrative Decentralization

Within the framework of the systemic changes that took place in the early 1990s, political decentralization did not originally include the provision of social services. For example, it was assumed that the interests of the people involved with primary education were adequately served by the democratically elected local governments.

According to the Hungarian Act on Local Governments, local governments *manage the institutions* that provide services for their inhabitants, e.g., primary schools, hospitals, and retirement homes. They have the power to hire and fire the institutions' directors, define the objectives of these organizations, and in the case of education, determine the profile of the schools and the courses that should be offered. Local governments must also, however, provide financial resources for the maintenance and development of such service-providing institutions.

In this structure, the local government is representing local democracy, and its operation should reflect the voters' will. This is in contrast to what occurs in a local educational system, for example, where only the interests of the involved parties are considered. In this case, democracy has stopped at the formal level and has not fully penetrated into the community's life (Regulska 1996).

At the same time, Hungarian voters, for example, have become increasingly frustrated by the actions (or inaction) of their local governments. Although local governments throughout the region worked intensely during the period between the two elections, they did not exert enough effort to promote their accomplishments to their local populations. Thus, for example, voters in a specific community are not fully aware that their local government increased the amount of services it's providing and is, in effect, spreading democracy to all levels of the community. This is especially true in Poland (Bennett 1997, 27) and Hungary (Horváth 1997).

This phase of democratization is *service decentralization* and will be analyzed below. Because the transfer of power follows and builds on similar legal and political changes instituted at the local and regional levels throughout Central and Eastern Europe, it is possible to make generalizations. The increase of services provided by local governments throughout the region has not eroded democracy but has actually increased its complexity.

Service Decentralization

The new processes of service decentralization are forging ahead and forcing traditional public administration, which is inclined to think in stereotypes, to react. The biggest challenges to emerge are the result of changes in the financing of social organizations and service provision. In the following pages, four phenomena will be discussed:

1. the increased role of the nonprofit sector in the provision of social services;

2. the reemergence of churches and private charity organizations at the local level;

3. the gradual creation of a system of sector-neutral funding by the state;

4. the partial introduction of market conditions in community consumption.

The emergence of these phenomena has reshaped the municipality's role in fulfilling public tasks in the service sector. It is decisive that local government is less and less the only customer of residential community services and to an even lesser extent an exclusive provider of them. One can find several players on both the side of the service provider and on the side of customers. As a result, the makeup of local government relations is necessarily changed.

Table 2.1
Average Number of CSOs per Capita

Group of Countries	Country	Mean
1	Albania	0.06
	Ukraine	0.02
2	Bulgaria	0.5
	Lithuania	0.7
	Romania	0.7
3	Czech Republic	4.0
	Estonia	2.6
	Hungary	4.3
	Latvia	1.4
	Poland	1.2
	Slovakia	2.0
4	Germany	4.7
	Spain	3.8
5	Austria	10.7
	Finland	20.6
	France	12.1
	Sweden	19.4

Source: Civicus 1997

Nonprofit Organizations and the Provision of Services

The number of civil sector organizations (CSOs) dynamically increases throughout a period of systemic transition. Comparative data shows that there is a significant relationship between the development of democratic institutions and the number of CSOs. In Hungary, the number of foundations increased from 400 to over 14,000 between 1990 and 1994, while the number of associations grew from 8,000 to 26,000 in the same period. (Központi Statisztikai Hivatal 1996, 7). Thus, there are on average 4.3 CSOs per 10,000 inhabitants. In a comparative perspective, as table 2.1 demonstrates, this data is similar to other Central and Eastern European countries at comparative stages in the transition process. This ratio is also close to the level found in Germany and Spain. In Hungary, most nonprofit organizations work within one settlement (Központi Statisztikai Hivatal 1996, 54-6). Their activities are almost identical with the human-service tasks of local governments. (Központi Statisztikai Hivatal 1996, 10-1; Horváth 1997, 46).

The activities of CSOs are primarily realized outside the sphere of government but are often implemented in cooperation with governmental institutions. For example, among the institutions of public education in the academic year 1995-1996, only 2.4 percent of all schools and nurseries were privately run and acted independently of the state. On the other hand, various social organizations fulfilled several supplementary and special service activities by linking their programs to the operation of state institutions. Sometimes, they provide such services that otherwise would have no place in existing networks. For example, certain CSOs have organized self-help movements for the rehabilitation of young people addicted to drugs and established associations for people afflicted with certain diseases, for example, diabetes. In addition, CSOs raise private funds in the form of contributions, revenues, or private donations in order to provide local services.

Table 2.2
Distribution of Revenue Sources for Nonprofit Organizations, 1994 (%)

	Average of Seven Countries*	Hungary
State subsidy	43	21
Private subsidy	10	21
Revenue from activities	47	58

Sources: Központi Statisztikai Hivatal 1996, 28; Salamon and Anheier 1995.
* U.S., U.K., France, Japan, Hungary, Germany, and Italy.

Table 2.2 shows the distribution of revenue sources for nonprofit organizations. In comparison with developed countries, the proportion of funds provided by the state to this sector in Hungary is relatively low. While the size of the sector—in spite of its dynamic growth—is smaller than that of developed countries, the significance of private funds is greater. This is clearly connected to the scarce financial resources of local governments. The breakup of the state subsidy is as follows:

12 percent—normative subsidy from the state budget
67 percent—non-normative subsidy from the state budget
21 percent—subsidy from local government

The local government's share is relatively low at the moment. But its existence, and the fact that it is providing normative, guaranteed opportunities for subsidies, is important.

In sum, one can say that the role of nonprofit organizations in providing local human services is significant. The nonprofit sector also represents the local government's interests by promoting a sense of community at the local level through privately organized and self-managed solutions. The potential for development is obvious, and incentives from the central and local governments will play a large role. This type of decentralization, in contrast to the form represented by the regional local governments, is not focused on political power but is based on the democratization of service organizations. Its essence is the recognition that community interests are at the axis of fulfilling public tasks.

The Restitution of Church and Charity Services

Prior to the Second World War, Central and Eastern European religious organizations provided several public services. During the Communist era, however, the central government drastically reduced the scope for religious activity. The political changes that swept through the region in the late 1980s and early 1990s recreated the space that these organizations needed to support the local community. The changes also allowed for financial compensation and the restitution of property that originally belonged to these groups.

Political events involving religious groups, for example, the frequent visits of the Pope to Central and Eastern Europe, prove the willingness of the new democratic systems to cooperate with religious organizations and leaders. While the strength of the Roman Catholic Church may be obvious in Poland, it is noteworthy that countries such as Russia have opened new dialogues with prominent religious organizations. This trend is most evident when small community organizations are examined. In Hungary, the revival of the role of religious organizations in providing public services must be emphasized. As concluded from a representative survey, it is

most common for religious groups to participate in primary education.[2] However, there is minimal activity in the area of social care. This is especially acute in smaller settlements (Horváth and Kiss 1996, 73-5).

On the other hand, the existence of the networks of religious organizations is an important potential advantage. The churches, mainly the Catholic and Protestant denominations in Hungary, are present even in the smaller settlements and possess the necessary infrastructure (i.e., buildings and staff) needed to run or participate in the provision of public service activities. When they are active, however, they tend to provide religious-based classes in the schools or, less often, manage clothing drives or distribute donations.

In return for these services, the local government supports the organizations, often by contributing donations in kind. For local governments, donations in kind are readily available and thus the easiest to give. Although this type of cooperation has only reached a modest level, its mere existence during this period of financial constraints shows a willingness to cooperate, which will most likely continue to grow. At this stage, direct financial subsidies are emerging only from the central budget. The revival of the willingness of religious organizations to be involved in social service provision is a clear example of successful service decentralization and, in a broader sense, democratization.

Sector-Neutral Financing

An important guarantee of service decentralization is the state's willingness to provide financing, no matter which entity, the local government or the nongovernmental organization, is providing the service. The transformation of the system that supplies funding from the central government to local governments is not yet complete. The main elements of the system are, however, already functioning.

With regard to a subsidy due to a service provider undertaking the state's task, the Hungarian Parliament mandates the provision of a normative subsidy for nongovernmental organizations that have contracts with a local government to provide specific services to the community. The subsidy provided, however, does not necessary cover all costs associated with the provision of the particular service. As is the case with local governments, the remaining costs should be covered by other means. In addition, the local government remains the owner of a public service, even if a contract exists between the local government and the service provider. The total agreement should contain:

1. a statement that the provider fulfills some requirements for public education;
2. a financial contract signed by the local government and the provider;
3. a contract signed by the local government and the provider describing the services to be rendered.

As mentioned above, the normative subsidy from the budget does not necessarily cover the total cost of fulfilling the transferred task. This is the great significance of service decentralization from the financial point of view. The situation allows or, more importantly, it requires the mobilization of other social resources. In other words, the state narrows the limits of its own activity, while maintaining certain controls that provide it with continued influence.

In certain cases, states or local governments make other sources of funds available for the use of the service provider. In 1997, for example, Parliament allowed Hungarian citizens to deduct 1 percent of their annual income to support the activities of a CSO of their choice. In many cases, these donations were used to support CSOs providing specific services to the community. Service decentralization is undeniably connected with the constraints associated with limitations on the state budget. At the same time, the use of innovative, solutions allows for the transformation of the state budget in both its breadth and operational content.

The financial elements of service decentralization are often in conflict with other aspects of the decentralization process. The sector-neutral subsidy, which in its content has to be connected with funded services, may be in conflict with the block-grant system. The latter is used as a financial technique for local governments to maintain control of decision making at the local level, without direction from the central government. Sector-neutral financing, on the other hand, reduces the autonomy of local governments by allocating funds from the state budget for specific tasks; for example, local governments cannot influence the proportion of funding provided for certain tasks. Such conflicts are unfortunate because they provoke *opposing interests among the benefactors of various forms of decentralization.* It is, however, logical that the multifunctional application of the decentralization principle sets the various local government organizations against one another and makes them compete in a zero-sum game.

Deficit in Community Consumption

There are contradictions not only within the decentralization process, but also within the process of service transformation. The contradiction deliberately created by service decentralization is natural when market conditions are being introduced and the establishment of a competitive environment is a top priority. In fact, a tender for service contracts demands market criteria for judging the best, most cost-effective bidder. Initially, the introduction of private, social-service providers and their related costs will create social unrest and discontent due to rising costs and growing inequality.

The controls over services do not necessarily strengthen during the transition period. With the role of the market coming to the foreground, the position of the state is driven back, and its influence on the quality of services becomes limited. At the same time, the self-regulating role of the market is not yet fully integrated. All this may lead to increased feelings of defenselessness on the part of consumers. Another necessity is to enforce the targeted representation of interests as the decentralization of services continues. The weakening of the supremacy of local governments creates the need for special forums or boards to tackle issues that deal with social service provision in the local community.

Single-Purpose Boards (Special Districts)

Parallel to service decentralization is a trend in Hungary to experiment with local bodies that oversee the implementation of specific social services. Boards are created by law in certain areas of social services in order to fulfill specified tasks and ensure the right of input for those concerned with service provision. Other interest groups are authorized to autonomously govern themselves and the management of local public service activities. This system has produced both

successes and failures throughout the country. The largest problem is that most decisions are made by a small, elite group of people. However, if the definition of tasks is appropriate, the rights to decide are limited, the conditions are focused, and the operations are effective, then the practice of local government becomes richer. A brief overview of the Hungarian case is worth examining.

Table 2.3
Minority Local Governments in Hungary, 1995

Minority	Number	% of total
Bulgarian	4	0.5
Roma	466	57.8
Greek	6	0.7
Croatian	57	7.1
Polish	7	0.9
German	162	20.1
Armenian	16	2.0
Romanian	11	1.4
Ukrainian	1	0.1
Serbian	19	2.4
Slovakian	51	6.3
Slovenian	6	0.7
Total	806	100.0

Source: Ministry of Interior 1995

Boards of service-providing organizations ensure the participation of consumers, service providers, and other interested parties in the operation of the institution. For example, parents, teachers, students, and other interested organizations can delegate representatives to serve on school boards. They participate in developing various internal regulations, determining the conditions for school activities run on an entrepreneurial basis, and commenting on the pedagogical program of the school.

After the transition, school boards were mandatory. It was soon obvious that while the program worked in some places, in many places the boards produced few results. Conflicts proved to be unmanageable in several places, and most organizations of teachers were opposed to interference in their professional issues. Therefore, the establishment of these councils is no longer mandatory, but it is a right for those people wishing to initiate them. The group of tasks that can be fulfilled by the council are prescribed by law.

Interest-representation forums are less common in social institutions where the representatives of those receiving the service, their close relatives, the employees (nurses and others), and the local government or other organization running the institution may participate. The interest-representation forum may consider complaints, initiate actions against the maintaining organization or against the supervisory authority, or both. The largest problem for this type of forum is that the detailed operational rules for governing are defined by the institutions themselves.

Minority local governments are elected in general elections. Their distribution by ethnic groups is indicated in table 2.3. Apart from protecting minority rights, the minority local governments also participate in satisfying the particular community needs of ethnic populations. Their characteristic tasks are teaching the language of the minority, providing nursery education in the

mother tongue, supporting primary education, and organizing cultural events for the minority community. Separate supplementary funding is provided by central sources for these activities.

In addition, minority local governments have guaranteed rights that allow for their representation in other local government bodies. They also have the right to be represented on each school board. Nevertheless, the conditions for the role of service organizations in minority local governments are not yet fully established. This is especially true in the case of the most populous Roma minority.

The organization of healthcare takes place within the framework of social security. The self-governing bodies for social security are elected during general elections and are supplemented by representatives from employer organizations. This solution based on service organizations is very controversial in Hungary. While local governments are responsible for financing healthcare institutions and hospitals and for guaranteeing that health insurance is paid by the insured, they do not have the preconditions necessary for operation. In addition, decisions related to insurance duties are made in Parliament and not by this body of representatives. In this sense, the decentralization of healthcare has not fully occurred. Rather, the structure in operation, with multiple layers of decision makers, has created increased confusion.

Regional economic boards are found operating in various capacities in the field of regional economic development. The experiences associated with these types of boards are much more favorable, although the system is not operating perfectly. Regional development councils assemble the social players who are interested in regional economic development, including local governments, economic chambers, representatives of labor councils, employees, and other associations interested in the economic viability and development of the region. Their objective is to successfully combine state funding with private, entrepreneurial capital. These councils support the activities of local governments by bringing together representatives of various social bodies in the community. A similar role is played by labor boards, which unite representatives from the employees, employers, and regional local governments in order to implement employment policies. These organs promote social cohesion by bringing various community groups together and negotiating a unified strategy for development.

Regional development and labor policy are not directly related to human services, but their linkage cannot be denied. Labor issues, especially in connection with vocational training and its development, are of a similar nature. The restructuring of vocational training is one of the main questions facing economies undergoing massive restructuring. If vocational schools in these economies allow students to leave school without an adequate education, they will only reproduce long-term unemployment. Although regional development is primarily focused on technical investment, it is important to develop a larger vision that brings the technical needs of the community together with the social and service needs of the population.

In sum, the example of human services in Hungary indicates the need for a wider form of local governing beyond regional local government. A symbiosis of various forms of local government is needed because local governments in themselves can be abusers of power in the same way as the despots of monolithic states. Local internal pluralism is needed to insure the symbiosis of various structures of power. This would involve consultations with service organizations and other social resources.

The path to achieving this objective is rather thorny. It is relatively easy to let the various interest groups come forth and demand autonomy, but it is more complicated to create the conditions for autonomy and ensure restrictions on power. The Hungarian example proves that attempts to arrive at this type of partnership can meet a dead end. The institutions promoting decentralization, which were thought to be democratic, often created dysfunctional decisions. In order to have long-lasting success, permanent checks and balances need to be built into the system.

At the same time, it is not advisable to rely on the activities of any single form of local government to institute reforms that aim at exclusivity. Rather, by working with communities and organizations that are gathered around an issue that is specific and limited in scope, it is possible to develop better alternatives than those offered by left-wing or right-wing parties (Chandler and Clark 1995, 771-2). Solutions offered by any of the approaches will be unable to find support among all segments of the population; the complexity of interests was proven by the multiple interests surrounding the delivery of human services.

Important issues linger for the future of transition in Central and Eastern Europe, including whether these divergent views of local government are allowed to voice their opinions in the policy-making process, institutional systems and financial solutions are developed to promote the necessary operational tools for amplifying these voices, and adequate social space is provided to allow these groups room to operate. The initiatives are there, although in contradictory forms in many cases. Having the opportunities provided by a developing market economy and democratic system, new community needs are emerging almost automatically. The development of institutions and support systems should follow social need in a way that can adequately provide for the community.

Notes

1. The comparative research was implemented in the Czech Republic, Poland, Hungary, and Slovakia with the support of the Norwegian Research Council for Applied Sciences (NORAS). A summary of the results can be found in Baldersheim et al. 1996. The empirical data surveyed the service situation in 400 local governments in Hungary. A summary of the results appears in Horváth and Kiss 1996.

2. The survey was carried out on a representative sample in 400 local governments in 1994. The work was lead by Gábor Péteri and the author.